EDC TODAY

Olofstrom Automation Ltd.
Making tracks in the auto industry

EDC-CIBC partnership

Exporting to a Latin American beat

A roadmap to export success

WINTER 1997

EDC TODAY

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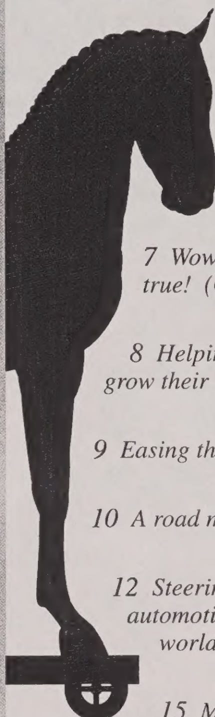

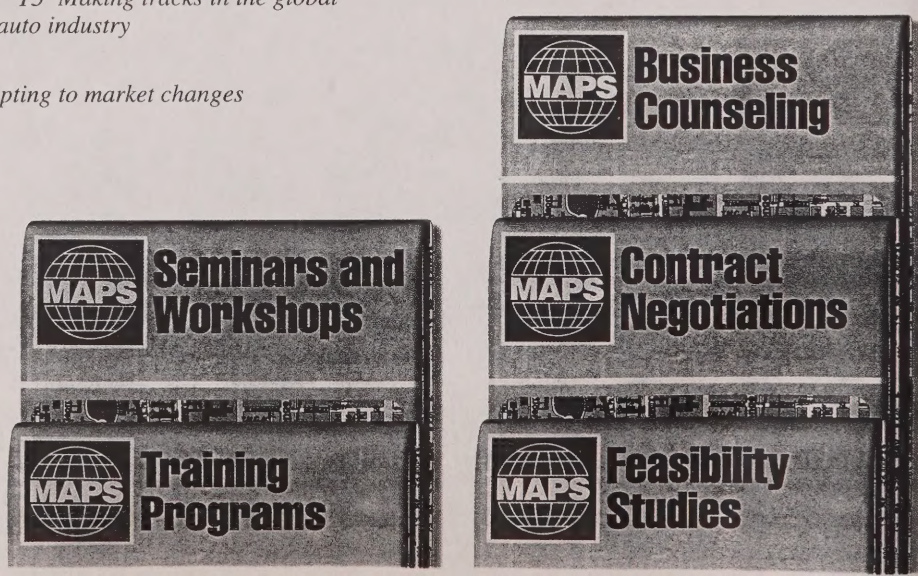

FRONT COVER Shown are executives with Olofstrom Engineering with the three GM Quality, Service and Price awards Olofstrom has won in the last three years.

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EDC (Export Development Corporation) helps Canadian exporters compete in world markets by providing a wide range of financial and risk management services, including export credit insurance, financing to foreign buyers of Canadian goods and services, and guarantees. EDC is a financially self-sustaining Crown corporation that operates on commercial principles.

The editor welcomes signed letters of comment on articles that appear in **EDC TODAY** or on events and issues related to the Canadian export industry. Letters may be edited to meet the magazine's style and space requirements.

All dollar amounts indicated in the magazine are in Canadian dollars unless otherwise specified.

Ce document est également disponible en français.

EDC supports Canadian exports to Ghana

Canadian companies selling goods or services in Ghana can benefit from up to US$20 million in new export financing available from EDC.

EDC has established a line of credit – its first ever with that West African nation – with the Ministry of Finance and Economic Planning. Ghana is among the 50 emerging markets that EDC recently committed up to $1.5 billion to in new financing to support the sale of Canadian goods and services.

The line of credit was recently signed in Washington by EDC President and CEO Paul Labbé and by Kwame Peprah, Minister of Finance and Economic Planning, Republic of Ghana.

"Ghana offers Canadian exporters many opportunities to supply equipment and services in such industry sectors as mining, information technology, transportation, housing, energy and telecommunications, as well as other infrastructure-related projects," says June Domokos, EDC Vice-President, Asia, Africa and Middle East. "We believe this new financing will help Canadian exporters win new business in this emerging market."

Financing can be arranged through any one of EDC's regional offices, or by the Ghana Ministry of Finance and Economic Planning, which will on lend funds to banks and private-sector buyers.

"Let's Talk Risk" Workshops

Export growth signals expanded opportunity for Canadian business

⬆ During the workshops, EDC's Chief Economist, Jim Olts, told attendees they will have to look to Asia, Latin America and Eastern Europe for more dynamic growth opportunities.

⬅ At the Toronto workshop, Canada's Minister for International Trade, Arthur Eggleton, announced the new CIBC/EDC Grow Export program and knowledge-based industries guarantee. (See article, page 8.) "Knowledge-based businesses represent the fastest-growing sector of the Canadian economy today," said Eggleton. "It is also a sector dominated by small- and medium-sized exporters, and one with particular needs for financial assistance."

"Exports are forecast to increase at an average annual rate of more than eight percent during the next five years, providing Canadian companies with a stable and consistent export environment in which to grow their business," says EDC's Chief Economist, Jim Olts.

"Canadian exports continue to increase at a solid pace," he says. "That's a significant contribution to Canada's economic growth when you consider that exports now account for nearly 40 percent of Canada's output."

Olts' bullish economic forecast was announced during EDC's fall series of "Let's Talk Risk" Workshops held in Vancouver, Edmonton, Winnipeg, Kitchener/Waterloo, Ottawa and Montreal. The workshops attracted almost 700 business and export leaders.

Olts opened the workshops by examining commercial risks in developed countries and analyzing current political and economic pressures shaping emerging markets.

"You can expect industrialized markets in North America and Europe to yield good, steady export sales in 1997," said Olts. "However, you will have to look to emerging markets in Asia, Latin America and Eastern Europe for more dynamic growth opportunities."

EDC's "Let's Talk Risk" Workshops offer participants valuable foreign market insight through presentations, panel discussions and sharing of experiences among participants.

EDC economics and market specialists cover in depth more than 20 priority countries. As well, participants received a copy of EDC's *Country Risks & Opportunities* workbook, which provides detailed economic and credit analysis of 97 industrialized and emerging markets.

New this fall was a special presentation by EDC's Risk Management Office, which provided attendees with insight into how EDC assesses risk and what this means for Canadian exporters looking for enhanced support in higher-risk markets.

Another series of workshops is scheduled for spring 1997. More information is available by calling, toll-free, 1-888-332-3320.

Lyne Hébert

EDC makes first loan in support of sale to Vietnam

In July 1996, EDC provided US$10 million in financing to support DGB Systems Integrators (1993) Inc.'s sale of a vessel traffic services (VTS) system to the Vietnam National Marine Bureau.

This was the first loan EDC has made in support of a Canadian export sale to Vietnam. The Canadian Commercial Corporation (CCC) assumed the role of prime contractor in this project.

"This transaction is an excellent example of how EDC can help smaller exporters compete and win business in emerging markets worldwide," says EDC President and CEO Paul Labbé.

Similar to an air traffic control system, the DGB state-of-the-art system will track all marine traffic in the ports of Ho Chi Minh City and Vung Tau City, including the Saigon River.

CCC is a Crown corporation wholly owned by the Government of Canada. In 1995-96, which was also its 50th anniversary, CCC posted a record business volume of $1,017 billion in orders received on behalf of Canadian suppliers, 61 percent of which were small- and medium-sized exporters.

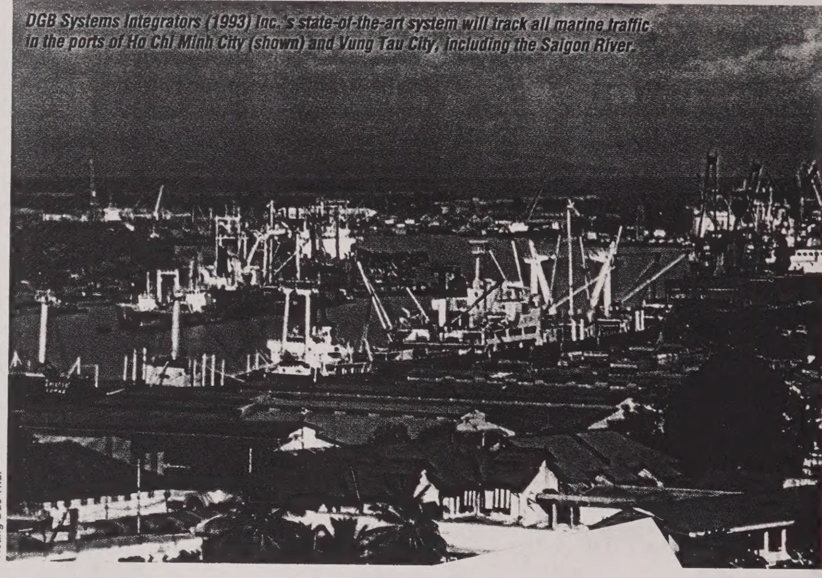
DGB has recently joined the Laval CIMA engineering consultants group in order to offer a complete range of engineering services throughout the world.

According to DGB President Gaëtan Danis, "The Saigon VTS is expected to resolve the long-existing problems of traffic control, decrease the number of river traffic accidents and reduce the pollution of the water surface."

Danis adds, "DGB sees a great many opportunities in Southeast Asia. In fact, this contract will lead to additional business in Vietnam and other emerging markets."

DGB has designed and sold similar systems for the ports of Hong Kong, Montreal and Quebec City.

DGB Systems Integrators (1993) Inc.'s state-of-the-art system will track all marine traffic in the ports of Ho Chi Minh City (shown) and Vung Tau City, including the Saigon River.



Hoàng Dúc Thur

DGB President Gaëtan Danis took time out to write to EDC President and CEO Paul Labbé, thanking him and his staff for EDC's support. At right are excerpts from the letter.

"As is the case for all Canadian companies wishing to establish themselves in this new emerging market, strong support from our Canadian partners is necessary. Even though DGB is a SME, we always felt strongly supported by the Canadian government, with repeated visits from the Prime Minister of Canada and his various ministers and from its Canadian ambassador in Hanoi, the Canadian Commercial Corporation, and especially by EDC, which provided the financing that our client (Vinamarine) required.

"... we can assure you that (EDC's) Information Technologies Team (ITT)... accomplished sound work in succeeding to implement the first commercial loan made by EDC in Vietnam. The ITT people with whom we worked to finalize the transaction... were always available for us and our client and made all possible efforts to successfully complete this project. We very much appreciate that."

Correction

In the Fall 1996 issue of EDC TODAY, the article entitled *"Risk and reward: Expanded political risk insurance"* highlighted recent changes made to EDC's Foreign Investment Insurance (FII) coverage. In the list of risks covered by an EDC FII policy, the words "transfer and" should have preceded the words "inconvertibility of funds."

Lines of credit: Not the last word on export financing

For 25 years, EDC has been establishing lines of credit with banks, government agencies, utilities and companies. These facilities are useful tools in the arsenal of financing instruments.

Using lines of credit, EDC is often able to provide financing for smaller export sales ($50,000 to $5,000,000) where, relative to the value of the sale, it would be very costly without a pre-arranged financing facility.

When EDC establishes a bank line of credit, it is agreeing to lend to the foreign bank, usually for the purpose of supporting sales to the mid-market. From time to time, exporters are disappointed when a foreign bank will not lend to their customers. This need not be fatal to your sale. EDC has other tools to use in making the financing available.

A bank's decision to provide a loan to your customer or not is at the heart of the value of lines of credit. EDC has analyzed the bank and determined its creditworthiness.

The bank can analyze local buyers and can make credit judgments based on this analysis, as well as local lending conditions. Lines of credit are widely advertised by EDC, and buyers who approach the bank will not all be known to them. EDC does not dictate what terms or interest rates will apply to the loans the bank makes. These will be in accordance with the bank's lending practices.

EDC has in place 26 bank lines of credit for use in 22 countries around the world.

At present, EDC has in place 26 bank lines of credit for use in 22 countries around the world. We update and publish the list of these facilities in each issue of EDC TODAY. Some of these lines of credit are used very actively; some are seldom, if ever, used. There can be many reasons for these results.

Occasionally, a bank wishes to establish a facility with an export credit agency for prestige's sake. In other cases, the line of credit may have been used for some time, and economic or regulatory changes make continued use less attractive or feasible.

More commonly, a bank that has recently obtained a line of credit from EDC is slow to make the first allocations. This may be due to caution about incurring the debt obligation to EDC, or uncertainty about the administrative procedures.

EDC has streamlined the documentation and procedures several times to make access to these facilities easier for all parties – you, your customer and the bank. We will continue to work to make lines of credit even more efficient.

Just as in Canada, not all those who apply for a loan will qualify. There may be occasions when a foreign bank does not wish to take on a new customer or where the bank has reached its lending limit. That is why EDC is always prepared to look at other options.

One option is a direct loan, possibly with security. The taking of security can be complex and is not always feasible. However, it can be considered when your buyer is financially sound but the bank still does not want to lend to it.

When EDC undertakes the investigation and credit analysis of small- to medium-sized foreign companies, the investigation, documentation and legal costs can be prohibitive.

Another alternative is for the buyer to arrange for the guarantee by its own bank, which knows it better than the banks with which EDC has established a relationship. Such a guarantee might be an "aval" on promissory notes issued by the buyer. Such an arrangement is known as supplier credit and can be discussed with EDC for many smaller and straightforward transactions.

EDC cannot accept the guarantee of every bank in a given country. In many countries, the banking system is not mature or has been weakened by financial shocks. However, EDC is always willing to assess a bank for creditworthiness.

Yet another alternative is EDC export credit (receivables) insurance, which allows you to offer your customer the credit it requires and insures you against losses which may result from a variety of commercial and country risks.

EDC is continuously looking for other methods to support export sales and to strengthen its working relationships with foreign banks. We frequently discuss with the banks ways in which we might better serve Canada's exporters and their importers.

EDC will do business in a variety of ways and in many more countries than the ones in which we have established lines of credit. In September 1996, we announced $1.5 billion in export financing for 50 higher-risk countries where we were previously restricted or off-cover.

Lines of credit are neither the last word on financing nor are they just window dressing. They are one of many financing techniques.

EDC tries to give a bank that has obtained a line of credit from us adequate time to begin using it. However, when we determine that a line of credit is not being used and is a misleading indication of financing that is not really available, we cancel it.

EDC takes pride in the expertise it is continuously developing in providing financing and insurance support for your exports. The Corporation is always looking for innovative methods to improve that support. Your comments and suggestions are key to helping EDC discover what you and your customers need to facilitate and expand your business relationships.

Douglas Ward
Regional Manager, Americas

Ault International Division
Division Internationale

Aztech
New Media Corp.

BOMBARDIER Bombardier Aerospace

CAE

COGNOS®
TOOLS THAT BUILD BUSINESS™

GLEGG™

Loewen

option
SNOWBOARDS

SR Telecom

Celebrating export excellence

The 1996 Canada Export Award winners represent a cross-section of some of the business community's best and brightest. Ten companies were presented with the prestigious award in a ceremony held in Winnipeg on October 7: Acadian Seaplants Ltd., Ault International, Aztech New Media Corporation, Bombardier Aerospace Group, CAE Electronics Ltd., Cognos Inc., Glegg Water Conditioning Inc., Loewen Windows, Option Snowboards Inc. and SR Telecom.

This year's winners span Canada from coast to coast, and also span a wide range of products and services, from snowboards to seaweed.

EDC is proud to once again have served as a major sponsor of the awards, in conjunction with CIBC and the ADVANTAGE™ portfolio of services from the Stentor alliance, says EDC President and CEO Paul Labbé.

"We see on a daily basis the challenges that companies face when they tackle export markets," he says. "The success of these winners is testament to the excellence of the products and services they offer to global markets."

This year, 251 companies from across the country applied for the Canada Export Awards. The winners were selected by a committee of 12. Selection criteria included:

- significant increases in export sales;
- success in introducing new export products into world markets; and
- success in breaking into new markets.

Other achievements that contribute to Canada's economic well-being or to the reputation of the organization as a world-class exporter were also considered. These achievements included:

- level of Canadian content;
- range of markets;
- holding of markets in the face of strong foreign competition; or
- ratio of a firm's export sales to its total sales.

Past winners have noted that garnering the award helped them promote their products and services to potential customers, both in Canada and abroad.

According to Richard L'Abbé, President of MED-ENG Systems Inc. of Ottawa, Ontario, and a two-time award winner, the big payoff has been the visibility for his company in Canada.

"The Canada Export Award has helped put us on the map domestically, raising our profile with the media, our business partners and the banks," he says. "Because we've won this award twice, they view us as a strong and viable business – one that is to be taken seriously both at home and abroad."

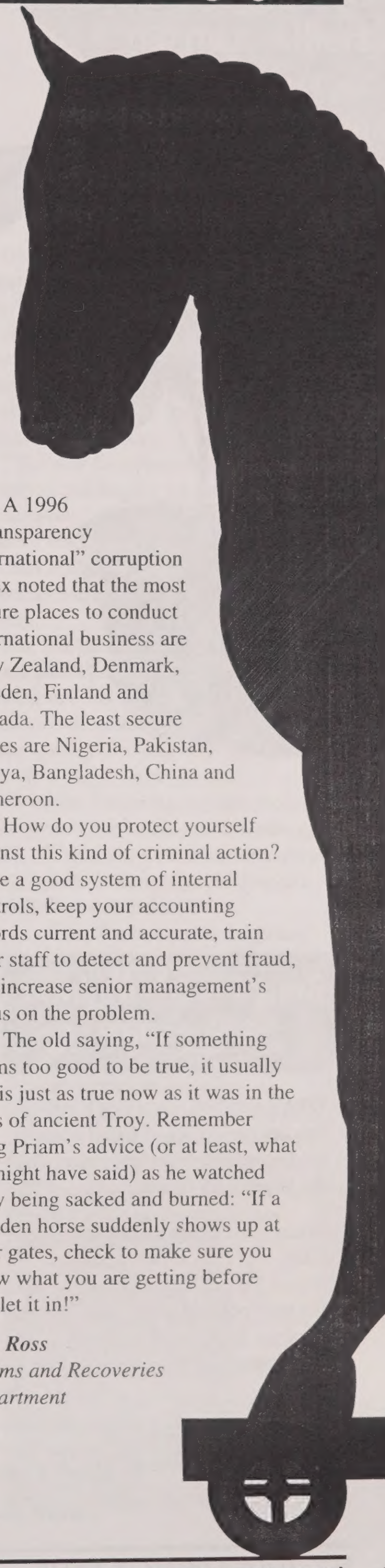
Individuals, associations, organizations and both local and provincial governments may nominate companies for the Canada Export Awards. Exporters may also apply for the award on their own. To obtain an application form for the 1997 Awards, contact:

Beverly Hexter
Team Canada Division
Department of Foreign Affairs
and International Trade
125 Sussex Drive
Ottawa, Canada K1A 0G2
Tel.: (613) 996-2274
Fax: (613) 996-8688

Jayne Watson

Wow! This is too good to be true!
(Careful, you may be right!)

An EDC credit insurance policy can be a buffer between you and legitimate business losses which could easily spell disaster for you. However, there are a number of other risks inherent in doing business today which may not necessarily be covered under your EDC policy.



Over the years in the Claims and Recoveries Department, I have heard many of our customers breathe a sigh of relief when we advised them of our insurance indemnity payments on their losses. On more than a few occasions, these indemnity payments meant the difference between a continuing, viable company and bankruptcy.

Business losses every year take a terrible toll, both in financial and human costs. Your EDC credit insurance policy can be a buffer between you and losses which could easily spell disaster for you. However, this is a policy of insurance with specified terms and conditions predicating and affecting cover – it is not a guarantee of payment under any condition.

A key prerequisite under your EDC insurance policy for a loss to be eligible for indemnity consideration is the existence of a legitimate debt on the part of your buyer. While this may seem self-evident, there is one significant reality of business life that would affect it: fraud.

I recently had an opportunity to discuss trends in commercial fraud with Staff Sergeant Fred Pratt of the RCMP, Economic Crime Branch, Headquarters Division in Ottawa, Ontario, and with Jim Hunter of KPMG, Toronto, Ontario, a major accounting and consulting firm which also specializes in forensic accounting and investigations.

The statistics on fraud compiled by the RCMP and KPMG are stunning and very disconcerting. Their research revealed that fraud accounts for hundreds of millions of dollars in reported losses every year to Canadian businesses and individuals.

According to an April 1996 survey conducted by KPMG of senior executives from Canada's 1,000 largest companies:

- 52 percent of respondents indicated they had been victims of fraud in the previous year;
- 49 percent of the frauds discovered involved people outside the company. The typical profile of the perpetrator was a male, aged 26 to 40, with an annual income of less than $50,000;
- even more startling, 40 percent of the respondents said there had been obvious "red flags" or warning signals of fraudulent actions, but that they had been ignored. About 34 percent of the respondents reported they had not been aware of any warning signs; and
- international fraud is also on the rise. Sixty-six percent of respondents said they did business internationally. Of those companies, 13 percent reported they had been the victims of international fraud. The average cost of these "international frauds" was almost $500,000 per case.

A 1996 "Transparency International" corruption index noted that the most secure places to conduct international business are New Zealand, Denmark, Sweden, Finland and Canada. The least secure places are Nigeria, Pakistan, Kenya, Bangladesh, China and Cameroon.

How do you protect yourself against this kind of criminal action? Have a good system of internal controls, keep your accounting records current and accurate, train your staff to detect and prevent fraud, and increase senior management's focus on the problem.

The old saying, "If something seems too good to be true, it usually is," is just as true now as it was in the days of ancient Troy. Remember King Priam's advice (or at least, what he might have said) as he watched Troy being sacked and burned: "If a wooden horse suddenly shows up at your gates, check to make sure you know what you are getting before you let it in!"

Dan Ross
Claims and Recoveries Department

Claims paid
January 1-October 31, 1996

Companies	# of claims	Cdn. total
333	827	$56,677,087

Export markets	***# of claims***
Africa & Middle East	5
Asia & Pacific	18
Europe	102
South America	26
U.S.A. & Caribbean	676
Risks	
Default	546
Insolvency	220
Call of bond	3
Repudiation	10
Political and transfer	47
Termination of contract	1
Payments	
Under $5,000	374
Between $5,001 and $100,000	367
Between $100,001 and $1 million	74
Over $1 million	12

Helping smaller exporters grow their business

Together, EDC and CIBC have formed a program to support smaller exporters operating in knowledge-based industries.

Traditionally, banks and other commercial lenders and investors have been cautious when it comes to providing working capital to knowledge-based industries, says EDC's Information Technologies Team Leader, Peter Foran.

"In the past, lenders have been uncomfortable with the lack of 'hard' assets such as buildings or machinery, with which to secure loans and lines of credit," he explains. "Pre-shipment working capital required to perform under an export contract, including additional unknown variables, simply tends to increase risk and further tighten credit availability."

Enter the CIBC/EDC Grow Export program and knowledge-based industries guarantee. Grow Export is a 50/50 shared risk program that supports working capital loans made by CIBC for small- and medium-sized enterprises (SMEs) in knowledge-based industries, in support of firm contracts. The concept for the program was designed by CIBC, with EDC having been willing to share in this new initiative.

"The Grow Export program demonstrates CIBC's commitment to constant innovation in serving knowledge-based businesses as they expand into global markets," says Asad Ahmed, Director of Knowledge-Based Business at CIBC.

"We saw the need for this product in these businesses whose sales are much more driven by exports than traditional industries," he adds. "Once the need was identified, we designed a solution to fill the gap."

"Export growth is critical to Canada's sustained economic growth," notes EDC's Foran. "Knowledge-based industries, currently the fastest growing segment of the Canadian economy, constitute an important new component of our changing export mix."

Under the Grow Export program, the loan provided by CIBC would be a one-time draw of up to 90 percent of the hard costs of the export contract. EDC would provide a guarantee for 50 percent of the amount of the loan made to SMEs in knowledge-based industries.

A SME is defined as a company having annual sales of less than $25 million. A knowledge-based company is one which has as its business objective the development, marketing and manufacture of a technologically advanced product or service and is depending primarily for its success on the application of technology through its own research or research acquired by others.

Typical companies in this sector would be classified as high technology, bio-technology, information technology or computer software companies.

"At EDC we are dedicated to finding ways to better service SMEs," says Terry Burbridge, Financial Services Manager, EDC's SME Services Team. "This initiative will be another arrow in our quiver in this quest and a good example of how our co-operation with financial institutions can help SMEs."

Please call 1-800-551-0606 for the location of the nearest CIBC knowledge-based business representative.

Brenda Stewart

Grow Export program at a glance

Who's eligible: Canadian SMEs that are customers of CIBC and are knowledge-based exporters are eligible for financing.

What's the program about: CIBC will provide a working capital loan of up to 90 percent of the hard costs of the export contract. EDC would provide a guarantee for 50 percent of the loan.

When was the program launched: November 1996.

Congratulations to our newest MARG partner, Alberta Treasury Branches

Focus on SMEs

Easing the cash flow crunch

Smaller exporters that want to spread their wings and grow, or simply run a thriving operation in comfort, can now meet their cash flow challenges economically, through EDC's MARG program.

Launched in early 1996, EDC's Master Accounts Receivable Guarantee (MARG) program provides the banks with protection against 90 percent of losses of the funds extended under a MARG-supported operating line, should the exporter's company fail.

"With more than 60 clients served to date, EDC has extended its MARG support to a wide range of industries, including consumer goods, high technology, lumber and wood products, and transportation," says Loretta Cassidy, Financial Services Manager, EDC's SME Services.

Two years ago, Imexcom International Trading Inc. opened a warehouse in the Caribbean to serve its customers better. Based in St. Laurent, Quebec, the firm exports high-voltage electrical equipment to Latin America and, in the past year, chalked up about $3.5 million in sales.

Opening the new warehouse proved to be an excellent decision for the six-year-old firm – putting it in a better position to compete and resulting in increased business, says President Harold Barbosa.

"But we were short of cash flow, because it was taking our products a good 60 days to be transported to the Caribbean by boat and then go through customs," he explains.

Barbosa searched for a financing solution and, in the end, decided MARG offered the best terms.

"EDC's guarantee has helped us increase our annual sales by 30 percent," says Barbosa. "The line of credit we obtained using the guarantee means we can pick up more goods for the warehouse without having our own funds tied up."

Even when the export market is closer to home, MARG can help.

Winnipeg-based Carbo Enterprises Ltd. conducts 60 percent of its business in the United States. The company has been selling hockey, basketball and baseball collectible memorabilia for 11 years.

"We have the rights for certain products for the NHL, major league baseball and the national basketball association in Canada, and others worldwide," says Carbo President Bob Bell. "Our products range from lapel pins to miniature hockey sticks and sell for $10 or less."

The company rang up sales in excess of $2 million in the past year – a number that Bell expects to keep increasing because of the growth of hockey in the United States.

"With more than 60 clients served to date, EDC has extended its MARG support to a wide range of industries, including consumer goods, high technology, lumber and wood products, and transportation."

Since more than one-half of Carbo's volume goes south of the border, Bell opened a warehouse in Grand Forks, Dakota and a centrally located sales office in St. Louis, Missouri.

"The new locations create the perception that buyers are dealing with a U.S. supplier," Bell explains. "The U.S. locations also cut down on our paperwork and costs and help us cater to our U.S. customers with better service and faster delivery."

The line of credit Bell obtained through MARG has been very beneficial, he points out. "It's great to have 120 days to collect U.S. receivables," Bell explains. "When dealing with major retailers, it often takes longer to get paid.

"With the financing, we can easily open accounts for independent retailers," he adds. "Using our own sales force gives us larger profit margins than selling to a U.S. distributor at lower prices."

Manufacturing chrome-plated steel tubes for vacuum cleaners and other floor care equipment is the lifeblood of Myraton Industries Inc. based in St. Catharines, Ontario.

MARG helped Myraton President Tom Ryan obtain the money required to run the operation. Although collection problems have been rare when dealing with large U.S. manufacturers, it was felt that with the rapid growth forecasted, further security was still needed.

"EDC's new program is cost-effective for our company and provides the bank with the comfort zone it wants," notes Ryan.

To find out more about EDC's MARG program, exporters should contact their bank or call EDC's Emerging Exporters Team at 1-800-377-1295.

Brenda Stewart

A road map to export success

Even for experienced exporters, the number of programs, level of assistance and variety of public- and private-sector players that help exporters can be confounding. Herewith, a listing of the functions and programs of some of the key agencies (mostly government) that support exporters.

Recently, an EDC business development manager met with representatives from the marketing and accounting departments of a local exporter. The EDC manager overheard one of the representatives admit that although he knew tremendous support is available for Canadian exporters, it was a challenge to understand what, specifically, was available, who delivered what program and how exporters might tap into this assistance.

Canadian companies both large and small are often confused by, or altogether unaware of, the variety of programs and assistance available to them through the federal government and otherwise.

"What's more," he quipped, "I can't remember what all the acronyms for organizations and programs that support exporters stand for: EDC, BDC, CCC, CIDA, AMEC and NEBS – just to name a few."

It was a familiar comment. Canadian companies both large and small are often confused by, or altogether unaware of, the variety of programs and assistance available to them through the federal government and otherwise. Even for experienced exporters, the number of programs, levels of assistance and variety of public- and private-sector players that help exporters can be confounding. For new exporters, trying to tap into this assistance can be downright daunting and not unlike arriving in a new city without a map.

The following provides a brief synopsis of the functions and programs of some of the key agencies (mostly government) that support exporters – in a sense, a road map to help Canadian companies achieve export success.

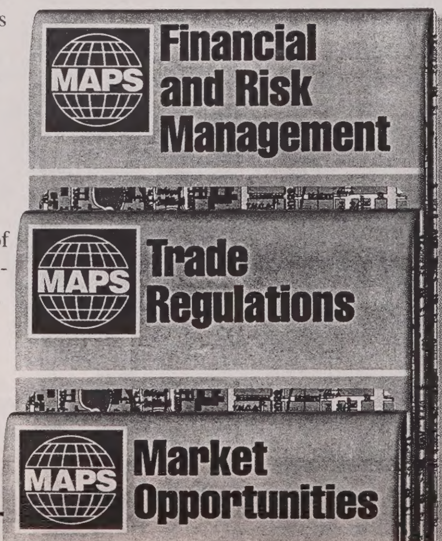
EDC (Export Development Corporation) helps Canadian exporters compete in world markets by providing a wide range of financial and risk management services, including export credit insurance, financing to foreign buyers of Canadian goods and services, and guarantees. EDC is a financially self-sustaining Crown corporation that operates on commercial principles.

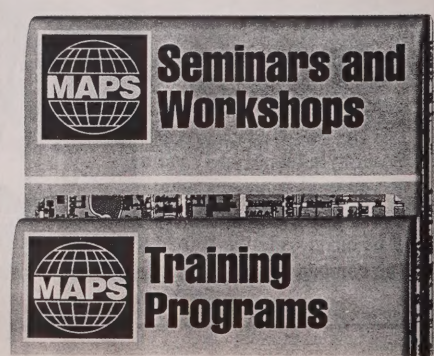
Industry Canada (IC) maintains industry sector branches in regional offices across Canada. These branches counsel and assist Canadian companies pursuing international export marketing opportunities. Tel. (416) 973-5053.

Department of Foreign Affairs and International Trade (DFAIT) is the leading federal department responsible for Canada's international trade and export development. Through its InfoCentre, DFAIT is a tremendous source of information on international markets, trade regulations, publications and services. DFAIT's trade commissioners are located in the commercial divisions of Canadian embassies abroad and in International Trade Centres in Canada. Contact the Infocentre at 1-800-267-8376 or (613) 944-4000 (Ottawa-Hull).

International Trade Centres (ITCs) are located in major city centres across Canada. ITCs are jointly operated by Industry Canada and DFAIT and are staffed by experienced DFAIT trade commissioners. ITCs are often the first point of contact for export-ready companies. They provide export counseling and information on market opportunities, seminars and workshops. Some of the programs offered through the ITCs include PEMD, WIN Exports, NEBS and NEXOS and, for market intelligence, Strategis. Visit Canada's largest business web site, Strategis, at http://strategis.ic.gc.ca or call 1-800-267-8386.

Program for Export Market Development (PEMD) is among the most helpful and popular services offered by Industry Canada and DFAIT through the regional ITCs. PEMD offers financial assistance to smaller businesses in their efforts to undertake various export ventures. PEMD's objective is to increase export sales by sharing costs of activities that companies could not or would not incur alone. PEMD shares up to 50 percent of the costs associated with the implementation of a company's market development plan. Applicants must be WIN Exports registered. Contact the ITC nearest you or the Infocentre at 1-800-267-8376.

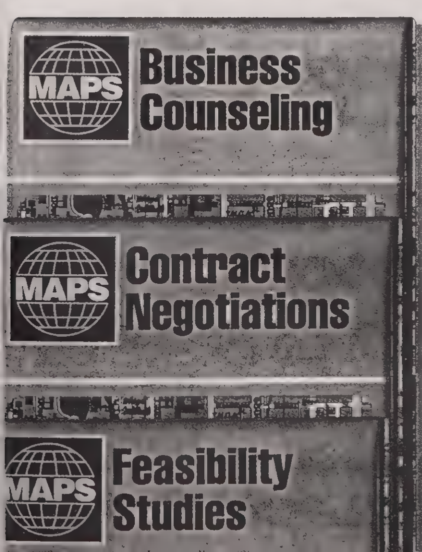




WIN Exports is a database in which exporting companies are registered. This database puts exporters into automatic (electronic) contact with the Trade Commissioner Service all over the world and identifies the registered company as a serious export player.

New Exporters to Border States (NEBS) and New Exporters to Overseas (NEXOS) are training programs offered for small- and medium-sized businesses that have not previously exported. The New Exporters programs are essentially crash courses on the essentials of exporting. The courses provide first-hand exposure to U.S. and European markets through seminars and classes, culminating in a mission to the market itself to explore export opportunities. NEBS: contact the ITC nearest you. NEXOS: (613) 996-5568.

The Alliance of Manufacturers and Exporters Canada (**AMEC**) is Canada's leading business network. With more than 3,500 member companies, representing manufacturers, exporters of goods and services, and provincial research organizations, the Alliance is dedicated to promoting and assisting Canadian companies compete in the international marketplace. Ongoing Alliance trade development activities include sponsoring trade missions, conducting export seminars and courses, and facilitating international trade and investment agreements. Tel. (613) 238-8888.



Business Development Bank of Canada (BDC) is a Crown corporation that assists exporters, through a network of branches across the country, with specialized venture and term loans, venture capital, business counseling, planning, training and mentoring services. One of the most popular programs offered by the BDC, NEXPRO, targets small- and medium-sized enterprises. The newly introduced Working Capital for Exporters loans are available for a variety of export-related initiatives. Tel. 1-888-INFO-BDC (463-6232).

Canada Business Service Centres (CBSCs) are located in major centres across Canada. CBSCs provide businesses with a single point of contact for basic questions regarding federal and provincial government programs and services. These centres are an excellent and logical first stop for companies interested in accessing information about exporting. Information specific to all of the organizations listed in this article can be found at any CBSC. Contact the CBSCs nearest you.

Canada Mortgage and Housing Corporation's (CMHC's) main international objective is to facilitate Canadian housing industry exports. The Corporation's current endeavours are being directed toward such goals as simplifying the industry's access to federal export programs and services; developing strategic direction for the industry's exporters (National Strategic Framework for Canada's Housing Exporters; National Housing Team); focusing the industry's export interests and activities (market research studies re: export opportunities for canada's housing industry); and helping Canada's commercial representatives abroad to match foreign housing demand with export-ready Canadian firms (Canada's Housing Exporter Sourcing System). Tel. 1-800-465-6212.

Canadian Commercial Corporation (CCC) is a Crown corporation that helps Canada develop trade with other nations, particularly foreign governments and international organizations, such as the United Nations. CCC acts as prime contractor, guaranteeing contract performance and product quality to the foreign customer. Service to Canadian exporters is made available at every stage of the foreign procurement process, from identifying bid opportunities and assisting in the preparation of bids, to contract negotiations and administration. Tel. 1-800-748-8191.

Canadian International Development Agency (CIDA) administers most of Canada's international development assistance programs in more than 100 developing countries. Many of these programs are implemented in collaboration with the private sector, through consultants, contractors and suppliers. Since 1995, CIDA has administered a special budget allocated for co-operation with the countries of Central and Eastern Europe and the former Soviet Union. Also, CIDA uses financial incentives to mobilize private-sector resources and can help exporters prepare feasibility studies for international development projects.

Most federal and provincial government agencies, including EDC, have played an important role in the development of provincial and regional trade plans. Strategic alliances and partnerships forged between these agencies allow them to pool their expertise and resources, to better meet exporters' needs. Tel. (819) 997-5006.

In addition to the aforementioned government organizations, there are, of course, many industry associations and commercial organizations that can also assist exporters in their global market endeavours. Be sure to consult as many as possible before you start exporting, or before you start exporting to a new market.

As for the acronyms, one suggestion is to memorize them PDQ (Pretty Darned Quick).

Steering the quality of Canadian automotive products and services worldwide

Armed with industry knowledge and new financing structures, EDC is stepping forward in conjunction with Canadian banks to strengthen its support for Canadian exporters in the fiercely competitive automotive industry.

Wielding innovative technology, quality products and superior service delivery, Canada's automotive industry garnered $71 billion worth of business in 1995. More than 90 percent of Canada's vehicle shipments were exported, and the United States remains the largest market.

Two main sectors have contributed to the industry's international reputation. One sector consists of the manufacturers of parts tooling and equipment for original equipment manufacturers (OEMs) such as General Motors, Ford and Chrysler. The other sector encompasses companies that produce parts, products, equipment and service for aftermarket use.

Together, these two sectors employ some 500,000 people and represent Canada's largest contributor to manufacturing GDP at 11.5 percent. Automotive trade accounts for about 23 percent of total Canadian merchandise trade.

"Clearly, the automotive industry is extremely important to Canada's economic and export base and is a key industry that EDC supports," says Walt Hutchings, Relationship Manager for EDC's Automotive Unit. "However, by the same token, it is an extremely challenging industry for EDC to support."

One of the challenges of supporting the OEM sector is that it is in the midst of dramatic change. As vehicle manufacturers prepare to take on the worldwide marketplace, they are making major shifts that reverberate down the supply chain. To compete globally, they are cutting the number of basic models they produce and suppliers they use.

At the same time, vehicle manufacturers are outsourcing more – handing down responsibility for the design, development and testing of components to Tier 1 firms that supply them directly.

In response, Canadian Tier 1 suppliers are growing by leaps and bounds to provide the worldwide service OEMs need. To concentrate on their main line of business of producing parts, the Tier 1s are outsourcing tooling, moulds and equipment to smaller tool, die and mould manufacturers.

"The Tier 1 companies are hesitant to provide progress payments to the tool and die companies, as Tier 1 companies are not reimbursed by the OEMs until the tooling is complete, and because the Tier 1 companies need to conserve their cash to fund rapid sales growth," says Hutchings. (Tooling is defined as specially manufactured dies and moulds used to fabricate automotive parts.)

"As a result, automotive tooling contracts can create funding gaps for the tool makers and constraint on the growth of these mostly small- and medium-sized companies," he adds.

Recognizing the financing gaps, EDC, in co-operation with the Tier 1 companies and the Canadian banks, has developed financing structures that provide progress payments to the tool and die companies. EDC's Automotive Unit was created early in 1996.

"Initially, our objective was to develop a complete understanding of the industry – including the challenges that firms, particularly the smaller ones, are facing," says Hutchings. "With that knowledge in hand, we have been able to custom-design solutions to help our customers do more business and grow."

"To help our automotive customers achieve global success," explains Craig Wiggins, Financial Services Manager, Automotive Unit, "EDC dedicated a group of commercial financing specialists exclusively to this industry, who can meet with key industry players.

The new structures were extremely well-received by the automotive industry, says Wiggins – so much so, that the Automotive Unit has more than doubled in size since its inception.

"These products were largely fashioned from automotive industry products already offered in the United States by U.S. banks," he explains. "EDC modified these products to suit Canadian exporters of tools and automotive parts and then tested these products on Canadian firms. We received strong interest from virtually every firm we met with – from OEMs through to Tier 1 parts suppliers to the toolers."

"We've been working with EDC since 1995 to promote the export of Canadian aftermarket products and services," says AIA Vice-President Yaroslaw Zajec. "Often our efforts are educational – letting businesses know that there are good export opportunities out there.

"Once we've done that, we explain to them what EDC support is available to help them expand into foreign markets and maximize their export sales," he says. "In effect, EDC has created an outreach program to discover the needs of the industry and develop financing, insurance and guarantee structures that will specifically serve our industry."

"EDC's flexibility has been key in creating solutions for us."

"In order to maximize the support that is available to the automotive industry, EDC has been working closely with our customers, while at the same time, respecting their bank relationships and complementing their bank facilities wherever possible," says Wiggins. "The Corporation couples its industry knowledge and its structuring expertise with the banks' customer knowledge."

EDC also works closely with various industry associations, such as the Automotive Parts Manufacturers Association (APMA) and the Automotive Industries Association (AIA), to provide exporters with the highest level of support possible.

The AIA represents about 1,200 businesses which supply goods and services for vehicles after they leave the manufacturer. Members produce parts, service equipment and products and are distributors, wholesalers and retailers – involved with everything from hoists and diagnostic equipment, to parts and performance-enhancing products.

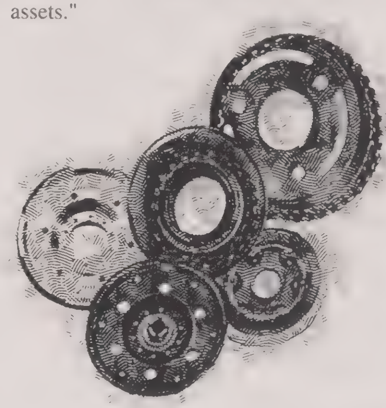
TRIAM Automotive Inc., Tri-Way Machine Group and Satisfied Brake Products Inc. are three of numerous automotive industry suppliers that are tapping into EDC's support mechanisms to help them grow their export business.

The power of selling globally

TRIAM Automotive Inc. is a Toronto, Ontario-based Tier 1 supplier that employs about 500 people. Its main plants produce plastic mouldings, metal stampings and power train and transmission components for OEMs. In addition, the company is now beginning to manufacture laser-welded automotive blanks.

Rapid growth has been the keynote of TRIAM's two-year history. The publicly traded firm posted about $87 million in revenues for 1996 and is projecting $100 million for its next fiscal period.

"Our involvement with EDC began in early 1996, when we required financing for our tooling," says David Hughes, TRIAM's Chief Financial Officer. "The financing TRIAM requires for individual export transactions ranges from $4 million to $20 million. Traditionally, tooling has been a difficult area for banks to finance, because of the unusual nature of the assets."



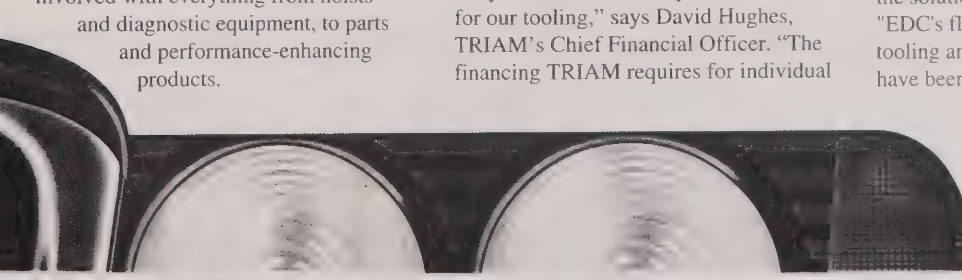
There are two payment schedules OEMs use to reimburse suppliers once the tooling is production-ready.

Under one payment schedule, the supplier constructs or has another company construct the tooling – a process that can take six to 12 months. Once completed, the tooling is approved and paid for in full by the OEM. "EDC's financing covers the tooling from the start of construction to payment by the OEM," says Hughes.

The second type of payment schedule, which has been introduced to North America over the past five years "has much larger financial implications and requires a completely different financing pattern," notes Hughes.

"Under this payment schedule, the OEM pays for the tooling over the parts supply contract, with a portion of the tooling reimbursed for every part delivered," he explains. "The arrangement requires suppliers such as TRIAM to finance the tooling over a period of, say, three to four years." This payment schedule is used by Saturn and some Japanese-owned plants.

Tooling amortization financing was the solution EDC generated for TRIAM. "EDC's flexibility and its knowledge of tooling amortization practices and risks have been key in creating solutions for

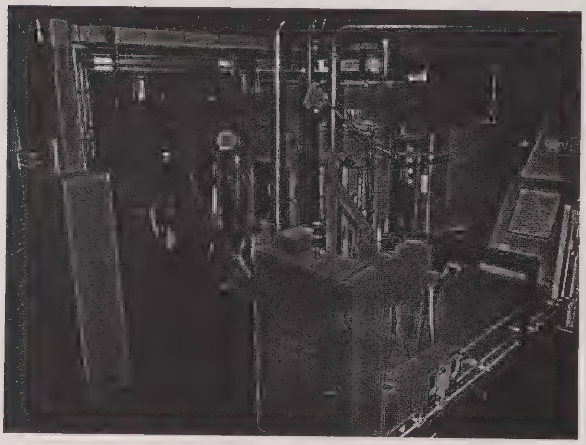


us," says Hughes. "The traditional style of export financing doesn't really fit the OEM sector, since being able to collect on the tooling receivable is not an issue with large vehicle manufacturers."

Given EDC's Canadian content requirements, TRIAM has purchased from Canadian toolmakers under EDC's program. "EDC's support in this area has had a significant influence on our ability to compete," notes Hughes. "It enabled us to bid successfully on large new vehicle programs. Without EDC's involvement, we might have had difficulty financing these programs without disrupting our bank credit lines that we need to fund investments in new machinery and technology."

Cutting into new markets

Tri-Way Machine Group is working its way into the future using, in good measure, EDC's export expertise. Tri-Way started out in 1977, manufacturing metal-cutting equipment. Currently, the Windsor, Ontario-based firm designs and manufactures high-volume integrated systems for OEM production lines.



To capture opportunities created by increased OEM parts outsourcing, the firm recently decided to branch out, by creating R.P.S. Machining Ltd., to build precision automotive parts.

"To get the enterprise under way," says Nick Sauro, Vice President of Finance, "we have been working with EDC on a loan with bank participation, in order to amortize the cost of the tooling over a three-year production period."

EDC has also been lending valuable support in other ways, says Sauro. "EDC people have a large base of knowledge and exposure to the industry, making them excellent business advisors," he says. "As well, EDC's political risk and related insurance has helped us bid on contracts for projects in such locations as Brazil and Korea."

Satisfying foreign buyers

Satisfied Brake Products Inc. has been using EDC's export credit insurance since 1987 to provide peace of mind in global markets. The 15-year-old company manufactures and rebuilds brake pads and shoes in its 150,000-square-foot facility in St. Laurent, Quebec. About 90 percent of the firm's products are destined for the United States each year.

One-half of Satisfied Brake Products' customers are automotive retailers, which sell to the do-it-yourself market; the other half are warehouse distributors.

As its business has expanded, it has increasingly made sense for the company to purchase EDC's Global Comprehensive Insurance, says Vice-President of Finance Eddie Baimel.

"While protecting against buyer risk is certainly a key benefit of EDC's insurance policy, it has other benefits too," he points out. "EDC people help me conduct credit checks on prospective buyers. They're extremely easy to work with and provide quick turnaround."

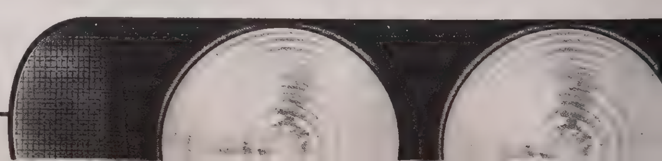
Being able to increase its lines of credit by leveraging its foreign accounts receivable as bank security is another key benefit, says Baimel. "It's far easier to ask salespeople to open up as many doors in the United States as they can when you're confident about your cash flow."

Baimel adds that he considers EDC insurance a necessary fixed cost that allows his company to grow more quickly than it would otherwise.

"We've actually grown by about 1,000 percent since hooking up with EDC in 1987," says Baimel.

With an eye on targeting such huge markets as the Caribbean and South America, Baimel says EDC will continue to play a major role in his company's export strategy.

Brenda Stewart



Making tracks in the global auto industry

Olofstrom Automation Ltd., Canada has been making inroads into the international automotive industry with its automatic assembly and press equipment. EDC is helping the company drive its export business.

In 1987, Toronto-based Olofstrom edged into Canada's largest manufacturing industry with four people housed in rented office space, importing and rebuilding press automation equipment imported from Sweden. Within three years, Olofstrom chalked up annual sales of $25 million with some 100 employees.

These days, Olofstrom is rolling along at full speed, with annual sales of $85 million and about 325 employees. Its expertise and quality standards have earned it a position as a full-service equipment supplier to the major automobile manufacturers such as Ford, General Motors and Chrysler. Olofstrom also supplies Tier 1 suppliers that sell parts and complete sub-assemblies directly to the major automobile manufacturers.

The majority of Olofstrom's North American operations are headquartered in its 200,000-square-foot design and assembly fabrication plants in Mississauga and Brampton, Ontario. The company also operates a sales and service office in Detroit, Michigan, and is expecting to open an office in Sao Paulo, Brazil.

The key to Olofstrom's success is its ability to provide a full range of services, from equipment design and fabrication of assembly systems, to the complete installation and integration of the equipment into other complex manufacturing systems. Each system or station within a system that Olofstrom builds is one-of-a-kind, custom-built to suit the specialized needs of the client's manufacturing processes.

Assembly products which Olofstrom uses in creating assembly systems can range from hemmers, which fold the outer car door around the inner door, to its tailor-blank welder, which provides an inexpensive alternative to lasers. Olofstrom's most promising innovation is a revolutionary, lightweight welding gun that is half the weight of traditional products.

The firm's successes have been many – no small feat in a highly competitive industry that demands rapid change, maximum equipment flexibility and increasingly shorter delivery times.

To date, Olofstrom has captured 50 percent of the North American market in press automation. Its solid track record has earned it the opportunity to bid on many critical contracts.

"We've won General Motors' Supplier of the Year Award three years in a row and also have quite a number of Chrysler's PenthaStar awards hanging on our walls," says Olofstrom President and CEO Frank Wennberg. GM recognizes only about 158 of its 35,000+ suppliers annually.

"As well, we have been endorsed for a Ford Q1 status, effective January 1, 1997," he adds.

Despite the kudos, Olofstrom's road has not always been smooth. "We've had some rough times, but we've managed very well," notes Wennberg.

One difficulty has been creating the infrastructure to supply sales. "It's always a challenge to find the right people – particularly the toolmakers to hand-build the equipment," he explains. "Our solution has been to groom good people from other types of companies for the business we're in – training them during production."

Growth has brought with it other challenges. As projects increased in size, delivery times lengthened. In fact, some multi-systems require 65 weeks or more to complete, Wennberg points out.

"With our bigger systems, it often takes quite a while before we receive payment," he says. "As a result, we talked to people in EDC's Automotive Unit, to investigate ways we could work together to generate a financing solution."

According to Eric Norgren, Financial Services Manager, EDC's Automotive Unit, "In-depth industry knowledge and creativity are cornerstones of EDC's Automotive Unit. Our focus has been to create financing structures for the automotive industry that add value to export relationships and meet the financing needs of companies like Olofstrom."

For example, EDC developed a pre-shipment export financing structure specifically for one of Olofstrom's larger projects. "EDC and the Royal Bank of Canada acted as 50/50 co-lenders to bring competitive financing on commercial terms to support a major Olofstrom export contract," says Norgren. "We are also exploring the possibility of supporting major contracts in Brazil and other countries by structuring and providing buyer credit."

Olofstrom is making challenging plans for the future, including eyeing continued significant sales growth over the next several years.

"As our projects become larger and we expand our international sales, EDC will be more and more helpful as a means to help us grow," says Wennberg.

Brenda Stewart

Adapting to market changes

Canadian exporters of base and semi-manufactured goods are experiencing increased uncertainty in global markets, including the United States. Now, more than ever, EDC's insurance and bonding coverage is providing critical support for this sector.

Ores and minerals. Oil and gas extraction and refining. Coal and petroleum products. Chemicals, fertilizers, plastics, rubber and building materials. Canada's immense natural resources – and the products drawn from them – remain a linchpin of our economy.

Indeed, Canada's second-largest export sector is base and semi-manufactured goods (non-forestry and non-food natural resources and processed goods of a base nature – ranging from ores and minerals, metals, chemicals and rubber to plastics, oil and gas, refined petroleum, fertilizers and pesticides). This sector is only narrowly surpassed by the transportation sector (which includes automotive products).

Strong forecast growth

In 1995, Canada exported $72 billion worth of base and semi-manufactured goods, up 16 percent from $62 billion in 1994. Export expansion in this sector, wh[illegible] from the torrid pace of 1995, is expect[illegible] forecasted annual compound growth [illegible] year 200[illegible]

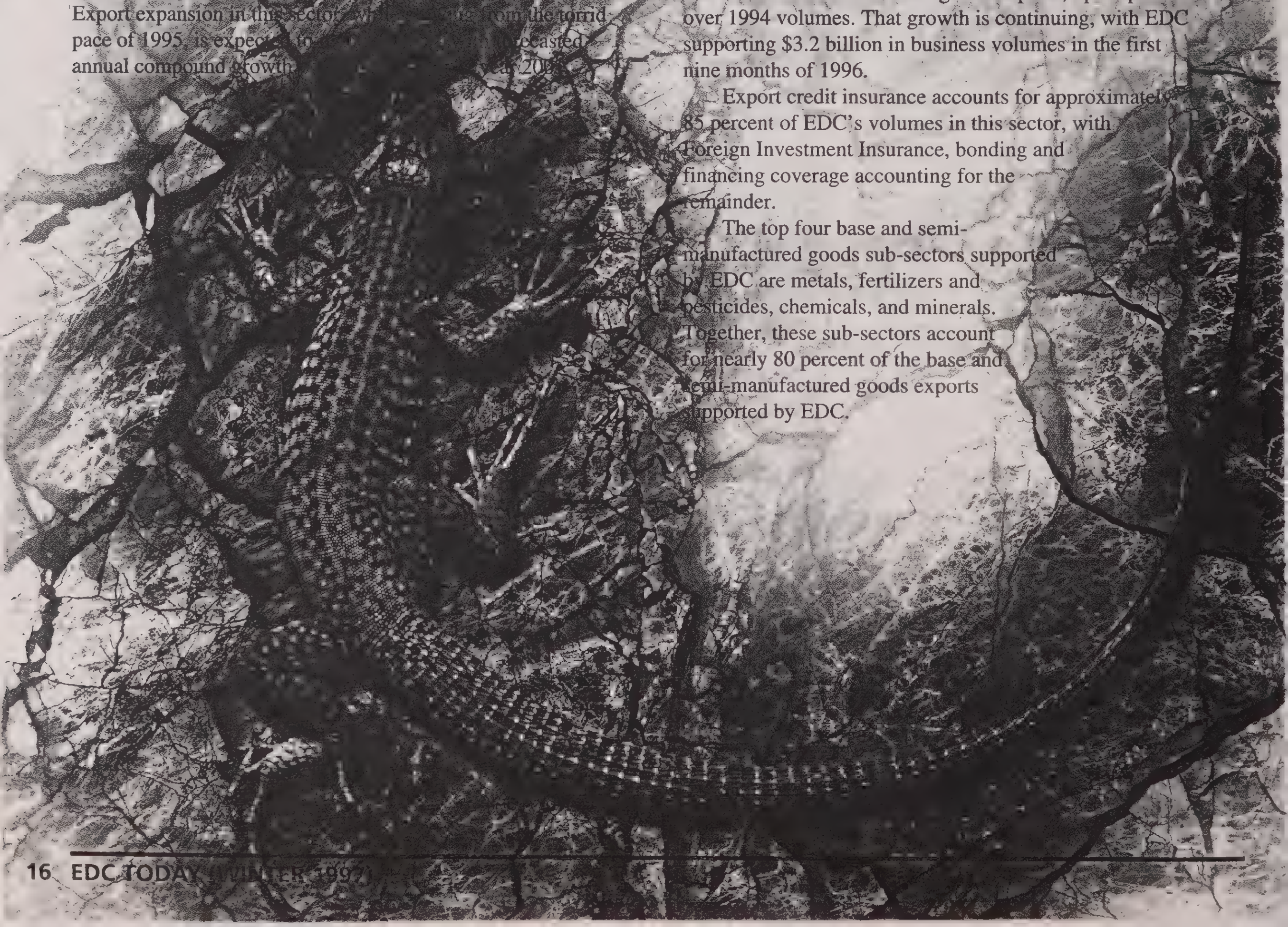
The United States remains the sector's dominant export market, followed by Western Europe, Asia and Japan. Latin America is also a strong export market for Canada's base and semi-manufactured goods. In 1995, this market represented 23 percent of EDC's total support for base and semi-manufactured goods. The total percentage of base and semi-manufactured goods supported by EDC that goes to Latin America is significantly higher than the percentage of goods and/or services destined for Latin America in any other sector supported by EDC.

In keeping with the importance of base and semi-manufactured goods to the Canadian economy, this is a key sector for EDC. This sector accounted for 20 percent of the Corporation's business volume and nearly seven percent of its total customer base in 1995.

That same year, EDC supported $3.4 billion worth of base and semi-manufactured goods exports, up 44 percent over 1994 volumes. That growth is continuing, with EDC supporting $3.2 billion in business volumes in the first nine months of 1996.

Export credit insurance accounts for approximately 85 percent of EDC's volumes in this sector, with Foreign Investment Insurance, bonding and financing coverage accounting for the remainder.

The top four base and semi-manufactured goods sub-sectors supported by EDC are metals, fertilizers and pesticides, chemicals, and minerals. Together, these sub-sectors account for nearly 80 percent of the base and semi-manufactured goods exports supported by EDC.



Taking on more risk

In 1995, EDC created a Base and Semi-Manufactured Goods Team to support Canadian exporters in this sector whose individual annual export sales exceed $1 million. The team approach has been paying dividends.

"The sectoral approach allows our team members to concentrate on getting to know individual sectors and buyers," says Team Leader Kevin Harris. "Because we now better understand the risks facing the key sub-sectors we support, we're finding we can take on more risk in the first place and can continue to support our customers in higher-risk markets as situations change."

Through its greater awareness of sectoral risk, EDC has been able to price its insurance products more competitively. As well, the Base and Semi-Manufactured Goods Team is providing different risk-sharing options, such as deductibles, that better meet customers' risk protection needs. This is in keeping with a Corporation-wide thrust to provide more flexibility in its products and services.

"EDC is open to different types of risk sharing in order to structure financial packages that are flexible and are best suited to meeting customers' needs," says Harris. "We are varying the deductible according to the exporter's risk appetite and portfolio make-up, among other factors."

EDC's increased flexibility and adaptability are particularly important given that conditions in foreign markets, including the United States, are becoming less stable.

"Many companies selling base and semi-manufactured goods to the United States have considered export credit insurance unnecessary," says Harris. "This perception has changed, as exporters increasingly realize that the incidence of default and business failure in the United States is very high." (See "Claims paid," page 7.)

Bankruptcy laws in the United States are fairly liberal and often make it advantageous for companies to file for Chapter 11 and seek protection from creditors," says Harris. "As a result, the rate of business failures in the United States is quite high. A number of well-established companies have also fallen into bankruptcy."

Steeling against U.S. market volatility

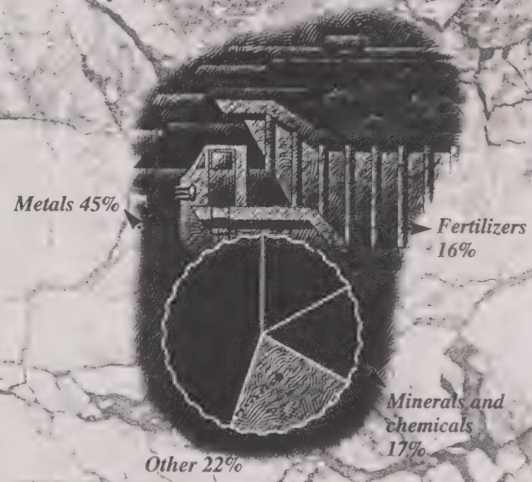
One sub-sector in which companies are increasingly insuring their U.S. receivables, for instance, is the steel sub-sector. "Recently, several large companies came to us for the first time for U.S. export credit insurance," says Raymond Grady, Financial Services Manager, EDC's Base and Semi-Manufactured Goods Team. "This is due to increasing volatility in the U.S. market, and because companies find themselves with rising exposure to fewer customers."

EDC supports primary steel producers, steel wholesalers, scrap steel dealers and the makers of steel manufactured products. Fully 80 percent of EDC-supported steel exports, notes Grady, goes to the United States.

Jean Van Loon, President of the Canadian Steel Producers Association (CSPA), claims there are two reasons why Canadian steel companies are selling more products to fewer U.S. customers: the positive impact of the 1989 Free Trade Agreement, coupled with rationalization in the U.S. steel industry.

Key base and semi-manufactured goods exports supported by EDC in 1995

(as a percentage of EDC's Base and Semi-Manufactured Goods Team's business volumes)



Canadian steel exports to the United States are, in fact, up sharply. "The CSPA's 14 members – we represent all 14 of Canada's primary producers – recorded exports of close to $3.8 billion in 1995," says Van Loon. "About 89 percent of those exports was shipped to the United States. In comparison, the United States accounted for only 68 percent of exports in 1989."

Fierce international competition

Various factors, including fierce international competition in the base and semi-manufactured goods sector, have created a major shift in payment terms. Canadian exporters which sold on secure terms such as cash or Letters of Credit a few years ago are increasingly turning to open account terms ranging from 30 to 180 days – sometimes even 270 days – to give themselves an edge.

In Brazil, for example, the high cost of financing and the limited availability of bank credit has forced numerous buyers to seek longer payment terms from suppliers. Faced with stiff competition, many Canadian exporters have been forced to lengthen payment terms in order to maintain their market share.

This sector is particularly challenging for small- and medium-sized enterprises (SMEs), especially those in the aluminum, steel and fertilizers sub-sectors.

"About 60 percent of EDC's customers in the base and semi-manufactured goods sector are SMEs," notes Harris. "Our export credit insurance and bonding allow SMEs to take on risks and transactions they would otherwise not be able to take on without EDC's support."

Other benefits of EDC's credit insurance and bonding programs, particularly for SMEs, is that they allow exporters to free up working capital and increase capacity on bank lines of credit and surety lines.

As well, EDC customers benefit from the Corporation's skills in credit surveillance and analysis. "By developing sources of information and contacts which allow us to closely monitor buyers, we've been able to support numerous high-risk transactions on an ongoing basis," says Harris.

Toward the future

Over the next five years, the fastest-growing markets for base and semi-manufactured goods exports are expected to be the Middle East, Asia and Western Europe. Given the increased volatility of many of the markets Canadian exporters in this sector will be selling to, EDC's increased adaptability, flexibility and willingness to take on greater risk will be more important than ever before.

Michael Salter

Fertile ground for EDC's support

In early 1995, Brazil's government reduced its support to farmers and other agricultural support policies, causing many growers to cut back on planting and dramatically reduce their fertilizer purchases. This in turn caused widespread cash flow problems for local fertilizer companies, many of whom had trouble paying Canadian suppliers.

Payment delays and bankruptcies followed, resulting in claims being paid by EDC. Rather than withdraw from what some industry experts describe as the worst Brazilian market in 20 years, EDC tapped its network of contacts in the country to continuously assess the creditworthiness of local buyers.

"Through our contacts with bankers, industry analysts, associations and others, we could make quick assessments as the situation changed daily," explains Geoff Bleich, Financial Services Manager who is responsible for the fertilizer sub-sector. "We knew which buyers we should move to payment by Letter of Credit and who we should not support.

Paul Grebliunas, TONY STONE IMAGES

"In this way, EDC helped keep its customers' losses, as well as its own, to a minimum," he adds. "More importantly, we never withdrew from Brazil's fertilizer sector, and we continue to support Canadian exporters in what remains a difficult market."

EDC's support is critical for the fertilizer sub-sector, because companies in this sub-sector are increasingly looking to non-North American markets for expansion opportunities.

"For the year ended June 1996, our members sold 10 million metric tonnes of product to the United States, 5.1 million tonnes offshore and four million tonnes in Canada," says Roger Larson, Managing Director of the Canadian Fertilizer Institute, whose 45 members include all of Canada's primary fertilizer producers.

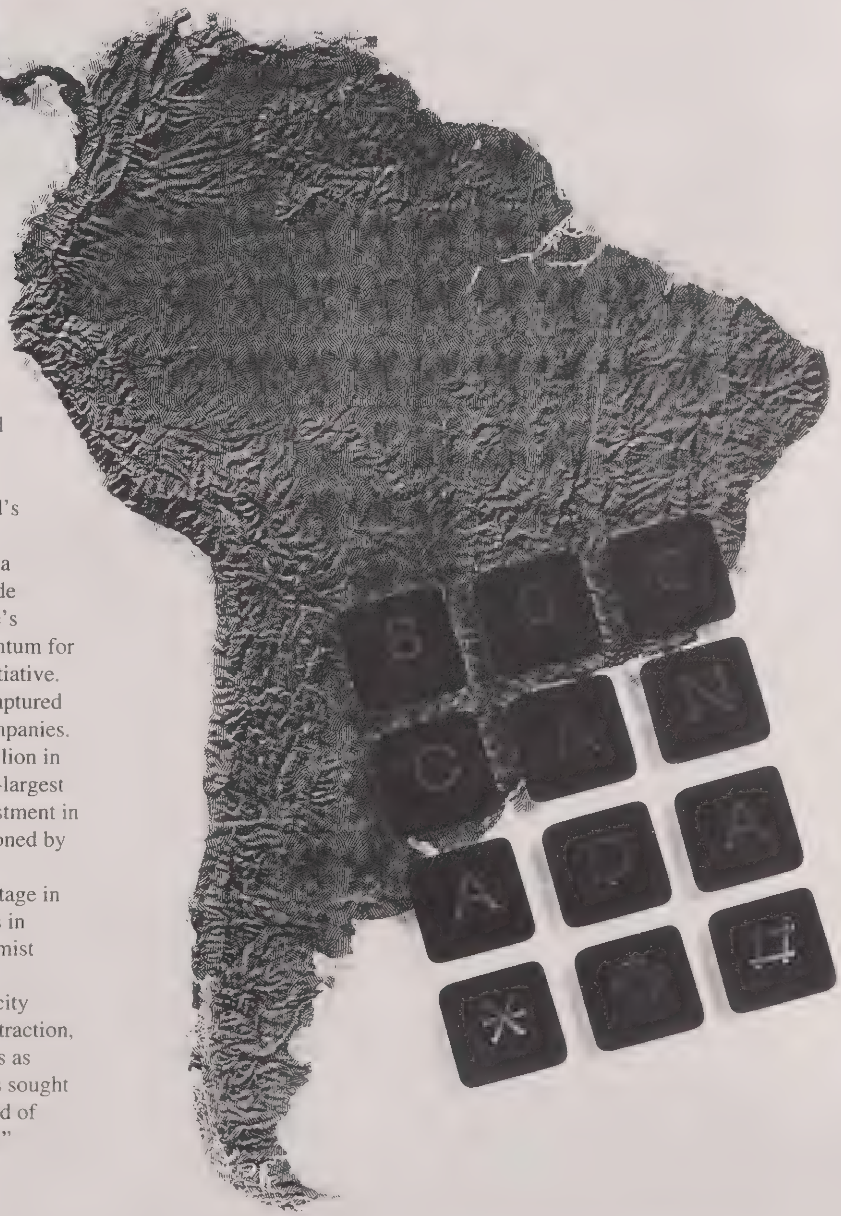
"Canada and the United States are mature markets where we expect only very modest increases in fertilizer use," adds Larson. "The real growth markets are in the rapidly expanding Asian countries, followed by South America."

Although fertilizer is a low-value commodity relative to its weight – making it expensive to ship – Canadian companies in this sub-sector are well-positioned to thrive in export markets. "In potash, for example, Canada has the largest reserves in the world, and we are the lowest-cost producer."

Michael Salter

Exporting to a Latin American beat

Canada's trade with Latin America has doubled since 1990. EDC is helping Canadian companies win business related to the region's burgeoning infrastructure and resource development activities.



Home to 450 million people and rich in untapped natural resources, Latin America's call to Canadian exporters is strong. Political stability has enabled many countries in the region to embark on economic plans that have made their economies some of the fastest growing in the world. Budgets have been balanced, state companies sold off. Markets have been opened, tariffs and regulations scrapped. Manufacturing facility and infrastructure upgrades are also commonplace.

Since the ratification of NAFTA in 1994, Canadian exporters have had access to the world's largest open market.

Most recently – in November 1996 – Canada and Chile signed an "interim" bilateral Free Trade Agreement, which will provide a bridge to Chile's eventual accession to NAFTA and create momentum for the broader Free Trade Area of the Americas initiative.

This transformation of Latin America has captured the attention, and dollars, of many Canadian companies. Canada's exports to the region exceeded $4.5 billion in 1995, making Latin America this country's fifth-largest export market. In addition, Canadian direct investment in Latin America over the past five years has ballooned by 190 percent, to US$7.6 billion in 1995.

"Canada enjoys a natural competitive advantage in many Latin American markets due to similarities in resource-based economies," reports EDC Economist James McCormack.

He cites Canada's expertise in hydro-electricity generation, pipeline building, mineral and ore extraction, advanced manufacturing and telecommunications as examples of areas in which Canadian expertise is sought by Latin America. "Latin America needs that kind of expertise to hone its own global competitiveness."

On the Map

David R. Frazier, TONY STONE IMAGES

Quick-step trade

Still, phrases such as roller coaster region are commonly used to caution those eager to take advantage of Latin America's burgeoning opportunities.

"The Mexican peso crisis demonstrated just how vulnerable to shocks the region still is," says McCormack. "Although the market reforms of the past decade have changed substantially, they have not yet conquered the region's inherent volatility."

Volatility is one reason many Canadian exporters which sell to Latin America turn to EDC.

"Our familiarity with local credit conditions and our extensive network of Latin American contacts allows us to help exporters avoid costly mistakes," says EDC's Base and Semi-Manufactured Goods Team Leader, Kevin Harris. "By protecting against non-payment, EDC's credit insurance allows Canadian companies to win contracts and gain a strong foothold in this promising region."

Harris adds that many Canadian exporters have learned first-hand the value of the protection EDC credit insurance offers. "Latin American buyers generally have a good payment record," he says. "However, EDC has paid out more than $18 million in claims for this region over the past five years."

An EDC consumer goods customer puts it succinctly: "EDC export insurance programs provide the exporter with financial security to continue to expand trade with markets where the potential of currency devaluation and government intervention make it difficult for customers to honour their commitments."

Upping the pace against the competition

Latin America is the site of fierce competition among companies eager to gain a foothold in what some predict will be a $2 trillion economy trading more than $600 billion in goods and services by the year 2000. This is evident all over Latin America and across many industry sectors.

"Whether it's heavy equipment for Argentina's oil and gas projects, mining in Chile or telecommunications services in Brazil and Mexico, Canadian companies are reaping the rewards of their international reputation for technical expertise and top-notch service," says Douglas Ward, EDC's Regional Manager, Americas. "Many of these companies are turning to EDC to gain an additional competitive advantage."

Ward explains that EDC's sales financing often makes a difference in Latin American buyers' choice of suppliers.

"Our financing products, including lines of credit, are geared to match the cash flow needs of exporters and their buyers," he says. "EDC disburses funds directly to an exporter and handles the specific complexities and delays of repayment directly with the buyer.

"Basically, we make it easier for foreign buyers to buy Canadian," notes Ward.

By way of example, he points to recent line of credit agreements signed with oil and gas sector customers doing business in Argentina.

"In April, we signed a US$25 million line of credit with YPF, Argentina's largest oil and gas company and producer of most of the petroleum products refined there," says Ward.

He adds that EDC also has close to US$200 million in lines of credit with five Argentinean banks, two telecommunications companies and several other oil and gas companies. "These lines of credit give Canadian companies of all sizes the competitive benefits of pre-arranged financing terms."

Supporting many sectors

EDC's Industrial Equipment Team Leader Stephen Dempsey says EDC has supported more than $82 million worth of exports to Latin America in 1996.

"Throughout that region, we're seeing significant opportunities for manufacturers of large capital equipment as the region undertakes development of new fields, gas pipeline construction and mining operations," says Dempsey. He adds that these activities have also meant big opportunities for Canadian engineering and professional services firms.

EDC has also been very active in supporting exporters in the information technology (IT) sector throughout Latin America, through the Corporation's three major product areas: export insurance, bonding and financing.

"Latin American countries accounted for 20 percent of the IT Team's total business volume in 1995," says EDC IT Financial Services Manager Joe Morin. "EDC has established lending relationships with many of the telecommunications service providers in Latin America, including lines of credit with Telmex, Telefónica de Argentina S.A., Telecom Argentina and Companía de Teléfonos de Chile."

As well, the major markets of several of EDC's Forestry Team's accounts are in Latin America. "This is a significant region for Canadian forest products

Robert Frerck, TONY STONE IMAGES

exports," says Cathy Hess, Forestry Team Leader. "In 1995, we insured more than $800 million to this region. By the end of October 1996, we had insured about $500 million, consisting mainly of newsprint and pulp shipments.

"Our unwavering support through periods of economic chaos in Brazil, Mexico and Venezuela," she adds, "has gained us a reputation as a reliable partner in risk management – even through the most difficult and deteriorating credit conditions."

Strong foreign investment

Many Latin American countries continue to aggressively seek foreign investment money to finance their economic development efforts. Across all sectors, Canadian investors continue to respond positively, sending some 7.5 billion in investment dollars to the region in 1995 alone.

"Although many markets are shifting policies to attract foreign investment dollars, investors are keen to protect themselves until the new openness is tested over time," says Dave Bailey, Team Leader of EDC's Foreign Investment Insurance Team. "In 1995, that translated into $1.3 billion worth of foreign investment insurance business for EDC."

For EDC's Engineering and Professional Services (EPS) Team, the bulk of its support into Latin America in 1995 was foreign investment insurance.

"This is changing somewhat, however, as we're starting to see more lending opportunities, including project financing," notes Sherry Noble, EPS Team Leader.

Noble reports that Latin America accounted for 75 percent of her team's business in 1995.

"We supported more than $756 million worth of sales in 1995 and expect to top that in 1996," she says. "As Latin America continues to upgrade and expand its infrastructure, Canadian engineering and professional services companies are expected to face even greater demand for their services."

According to Noble, EDC's guarantees enhance Canadian exporters' ability to pursue opportunities in Latin America. "The region's buyers often require exporters to post bonds guaranteeing they will live up to the terms of a bid or contract," she says. "EDC's guarantees protect exporters and their banks against wrongful calls on their posted bid, performance and warranty bonds."

Rich in mineral and ore deposits. Sitting atop vast oil and gas reserves. Home to large-scale power and infrastructure projects. Latin America represents an exciting but challenging market for many Canadian companies. EDC's sector-based business teams are all available to discuss exporters' specific needs.

Bonita Williams

Increased trade through MERCOSUR trading bloc

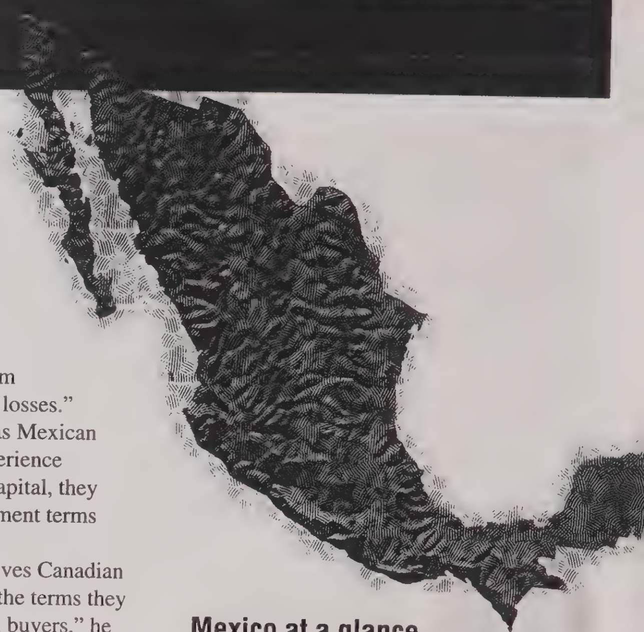
Argentina and Brazil (along with Paraguay and Uruguay, Chile and, soon, Bolivia) are members of MERCOSUR, the increasingly powerful trading bloc that views economic integration of Latin America as the only way to advance in the face of global competition.

Since the original framework was signed six years ago, MERCOSUR has seen a considerable increase in trade among member countries, particularly between Argentina and Brazil. MERCOSUR trade rose from US$3 billion in 1989 to US$15 billion in 1995.

MERCOSUR is increasingly becoming the focus of Latin American trade energies. MERCOSUR members recently signed a co-operative agreement with the European Union, aiming to eventually create a free trade agreement for industrial goods. Under the Free Trade of Americas initiative, the bloc is also pushing for the consolidation of existing regional groupings such as NAFTA and MERCOSUR.

At a MERCOSUR economic summit held early in 1996, speakers admitted that clear economic integration is only part of the picture. Latin American countries also see the need to co-ordinate legislation, reduce corruption and eliminate bureaucracy.

"Perhaps the region's greatest challenge is integrating the region physically, with roads, bridges and utilities," says EDC's Douglas Ward, Regional Manager, Americas. "Canadian companies are competing for this business today with a view to gaining a long-term competitive advantage in this huge and dynamic market by the year 2000."



Mexico: Troubled tempo

In the wake of its peso crisis, Mexico's economy contracted by almost seven percent in 1995, its worst decline in decades. Today, its economy remains vulnerable to external shocks, lapses in international investor confidence and adverse political developments.

Despite these troubles, Mexican companies continue to seek out Canadian expertise and products to help them enhance their own international competitiveness. Canadian exports to Mexico were steady at $1.1 billion in 1995.

"Although our share of Mexico's imports is small, it has been increasing at twice the rate of the United States' share," reports EDC Economist James McCormack. "As Mexico recovers, we should see renewed growth in the export figures."

Mexican modernization efforts are also concentrated in areas of Canadian expertise, including telecommunications, transportation, advanced manufacturing equipment, environmental technology and agricultural systems.

Canadian consulting engineers and industrial equipment suppliers are in a good position to benefit from activity in the mining and environment fields. Telecommunications equipment manufacturers and operators could seize opportunities created by deregulation in Mexico's telecommunications sector. There is also high demand for goods and services related to Mexico's port, airport and rail development activities.

EDC supported more than $670 million worth of exports to Mexico in 1995, largely with export credit insurance. For many exporters, the decision to insure their export receivables paid off.

"We have a number of claims in Mexico as a result of the late 1994 economic crisis," reports EDC's Regional Manager for Latin America, Luc Dupont. "These are cases where EDC insurance has clearly protected exporters from potentially devastating losses."

Dupont adds that as Mexican buyers continue to experience difficulties accessing capital, they are seeking longer payment terms from suppliers.

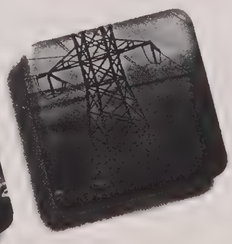
"EDC insurance gives Canadian exporters flexibility in the terms they can offer their Mexican buyers," he says. "We also expect demand for sales financing to increase as Mexican buyers continue to face limited and expensive domestic credit conditions in the short term."

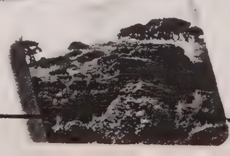
EDC also offers nine lines of credit in Mexico, each valued at between US$14.6 million and US$125 million. These lines of credit give Mexican companies the added incentive of pre-arranged financing to buy Canadian.

As well, EDC is prepared to consider providing coverage on Canadian direct investment in Mexico, to enhance Canadian companies' ability to secure financing for their expansion plans in that country.

Mexico is an emerging market in transition. EDC is available to provide protection, financing and expertise to help Canadian companies gain business in this potentially lucrative market.

Bonita Williams





Mexico at a glance

Population: 95 million
Per capita GDP: US$2,638
GDP growth: 3.6 percent
Inflation: 25.5 percent
Canadian exports: $1.1 billion
Canada's market share: 1.7 percent
Current account balance: US$-3.4 billion
Reserves (months of imports): 2.2
EDC's position:
Short term – Open on a case-by-case basis. Irrevocable Letters of Credit opened by stronger commercial or government banks recommended.
Medium term – Good experience. Open subject to overall exposure guideline.
Foreign Investment Insurance – Case-by-case.
Canadian opportunities: Mexico is looking to Canada for technology and expertise to help with modernization efforts in the areas of telecommunications, energy and the environment.

Who to contact:
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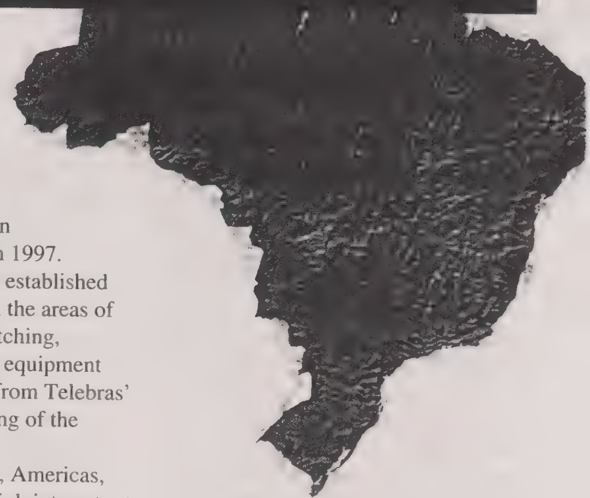
(613) 996-5611

Canadian Embassy in Mexico
Denis Thibault
011-525-724-7900 (central) or 724-7930

CIDA-INC
Paul Hunt/Marcel Lebleu
(819) 997-0537

Canada-Mexico Chamber of Commerce
Paul Friser-Frederiksen
(525) 207-2252

Brazil: Tones of renewal



With 156 million people and an economy close to the size of Canada's, Brazil is the world's ninth-largest economy and Latin America's largest and most industrialized market.

Brazil's imports have soared by almost 150 percent since 1992, the combined result of healthy economic growth, successful efforts to hold down the inflation rate and, more recently, an appreciating real. The Brazilian government's economic stabilization plan, Plano Real, has promoted private-sector competition, attracted foreign direct investment and forged economic renewal throughout Brazil.

That renewal attracted Canadian business to the tune of $1.3 billion worth of goods and services in 1995, making Brazil Canada's largest Latin American export destination. While exports of pulp and paper, mineral fuels and oils, cereals and foodstuffs top the list of Canadian exports to Brazil, export opportunities exist in most sectors.

For example, extensive privatization is under way in Brazil's mining, energy and telecommunications sectors. The country's privatization efforts can benefit such Canadian companies as engineering consulting firms, telecommunications equipment manufacturers and operators, and suppliers of large-capital equipment for the mining and energy sectors.

Other exciting developments include the manufacturing sector's upgrading of machinery and equipment, capacity expansion in the pulp and paper sector, growth and de-regulation of mobile communications and widespread work on Brazil's transportation infrastructure.

Within the next two to three years, EDC's Information Technologies (IT) Team expects to see Brazil providing the greatest opportunities for Canadian exporters in the telecommunications sector.

"The Brazilian Ministry of Communications has announced an ambitious five-year investment plan of US$37 billion for network expansion of the state carrier, Telebras," says Joe Morin, Financial Services Manager, IT Team. "In addition, recent legislation has put the necessary framework in place to open up the market to competition in cellular telecommunications in 1997.

"Canadian exporters have established themselves as world leaders in the areas of wireless communications, switching, transmission and multiplexing equipment and stand to gain a great deal from Telebras' expansion plans and the opening of the cellular market," he notes.

EDC's Regional Manager, Americas, Douglas Ward, explains that high interest rates brought on by tight monetary policies have dampened domestic demand and increased business bankruptcies.

"Real interest rates hovering around 30 percent are creating extreme short-term credit charges and are causing Brazilian companies to look for longer terms from suppliers," he notes. "Many of our customers recognize that besides protecting their bottom lines, EDC's insurance coverage gives them greater flexibility in the credit terms they can offer buyers."

While EDC has not received many insurance claims from Canadian companies doing business in Brazil, it has experienced some problems with open account terms. "This is created mainly by commercial risk factors, due to the volatile macroeconomic conditions in that country," says Ward.

EDC Economist James McCormack says Brazil's continuing challenge is to manage the depreciation of the overvalued real, while pushing ahead with politically difficult fiscal and structural reforms.

"Although recent developments are encouraging, there are unsettling similarities between Brazil today and Mexico before the collapse of its economy last year," he says. "That's all the more reason for Canadian exporters to consider EDC's flexible risk management and buyer financing services to help them attain success in Brazil."

Bonita Williams

Brazil at a glance

Population: 156 million

Per capita GDP: US$4,499

GDP growth: 2.7 percent

Inflation: 13.1 percent

Canadian exports: $1.3 billion

Canada's market share: 1.9 percent

Current account balance: US$-15.5 billion

Reserves (months of imports): 8.5

EDC's position:

Short term – generally good.

Medium term – open for private-sector coverage; case-by-case consideration of parastatal risk.

Foreign Investment Insurance – Case-by-case.

Canadian opportunities: Telecommunications, manufacturing, energy, pulp and paper, and machinery and equipment upgrades, including state-of-the-art manufacturing systems.

Who to contact:

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Marek Jakubecki
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Argentina: Back in step

Argentina has come a long way since the days of prices gone wild, when inflation hit 5,000 percent in 1989 and foreign debt had grown to three-quarters of GDP. The country staged a broad recovery between 1991 and 1994, growing an estimated 30 percent. At the same time, inflation fell into single digits and then dipped below two percent in 1994.

Like much of Latin America, however, Argentina has felt the aftershocks of the Mexican crisis. Bank deposits and money supply contracted last year (triggered by the peso crisis), resulting in a 4.4 percent decline in GDP. The unemployment rate peaked at 18.6 percent in 1995 and now hovers around 16 percent. As well, the country's imports declined with domestic demand and were held back by lack of available private-sector financing.

Despite Argentina's recession, Canadian exports to the country increased by 35 percent in 1995 to reach $230 million. Exports of paper and paperboard ($57.3 million), mineral fuels ($33 million), machinery ($30.4 million), electrical machinery and parts ($26.7 million) and plastics ($10.8 million) top the list.

According to Michael Craig, EDC's Regional Manager for Argentina, EDC supported close to $402 million worth of exports and direct investment in Argentina in 1995, a level which surpassed total business volumes in that country between 1991 and 1994.

"In 1995, we saw our credit insurance and financing business volumes more than double what had been done in the previous five years," says Craig. "We now have 11 lines of credit in Argentina to further enhance Canadian exporters' ability to tap into this exciting market."

A dramatic increase in Canadian direct investment in Argentina, which reached $1 billion in 1995, spells further opportunity for Canadian companies.

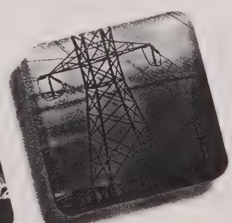
According to Argentina's former Minister of the Economy, Domingo Cavallo, who visited Canada in July 1996, the country is seeking Canada's expertise in oil, gas, electricity, forestry, food, financial services and mining.

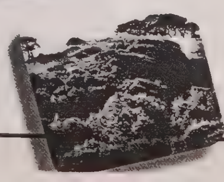
Harvard-trained Cavallo, who was replaced by Roque Fernandez in July, is the mastermind behind many of the reforms that have pushed the country through its miraculous recovery this decade.

However, Fernandez's first austerity package, announced in August, virtually abandoned Cavallo's industrial and export promotion incentives. Fernandez cut export subsidies, abandoned tax breaks on the manufacture or import of capital goods and scrapped incentives for specialized industries.

Craig explains that one of Cavallo's major achievements was to ensure some degree of policy continuity even in his absence.

"Argentina is expected to continue to be one of EDC's most active markets in Latin America," he says. "Private industry will continue to re-fit itself with imported capital, and major opportunities remain on the horizon related to large-scale mining, power generation, telecommunications and transportation development."





Argentina at a glance

Population: 35 million
Per capita GDP: US$8,122
Projected GDP growth: 2.5 percent
Inflation: Nil
Canadian exports: $230.3 million
Canada's market share: 0.9 percent
Current account balance: US$-4.7 billion
Reserves (months of imports): 5.4
EDC's position:
Short term – Fully open. Good experience.
Medium term – Open subject to an overall exposure guideline for both public and private sectors.
Foreign Investment Insurance – Case-by-case.
Canadian opportunities: Looking to Canada for technology and expertise to help with modernization efforts in the areas of telecommunications, energy and the environment.

Who to contact:

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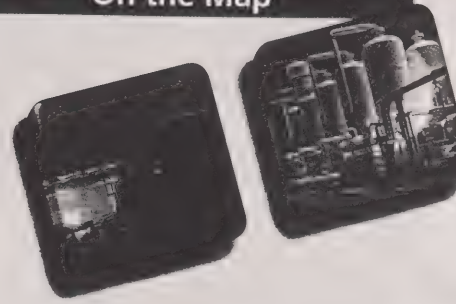
or 011-541-312-9081/9088

CIDA-INC
Marek Jakubecki
(819) 997-0548



Mining investment opportunities in Latin America

As Canadian mining and petroleum companies continue to tap into the wealth of opportunities in Latin America, EDC's Foreign Investment Insurance (FII) often becomes a vital link in the investment chain.

With Latin America's increased encouragement of private-sector business in recent years, Canadian companies' investment in this region has been estimated at more than $25 billion over the past five years.

In the past year alone, EDC has provided about $660 million worth of FII coverage in the market to raise Canadian investors' comfort level and to help make their foreign projects proceed. About two-thirds of the policies are for mining or petroleum projects set up in countries such as Chile, Argentina, Mexico, Guyana, Ecuador and Venezuela.

Whether the insurance is a relatively small ($100,000) policy to cover drilling rigs, or a complex multi-party document designed to cover projects worth more than $1 billion, the key characteristic is flexibility, says EDC Financial Services Manager Chris Larocque.

"Whatever the project, we are willing to listen to our customers to help make their deals work," he explains. "Our role is to understand our customer's transaction, help to identify the risks and then try to structure coverage to mitigate those risks."

EDC works in parallel with the investors as they develop and secure arrangements in the host country, including environmental, tax and export allowance agreements, says Larocque.

"We tailor our FII policies to suit the particulars of the individual transaction," he explains. "Our policies provide 90 percent coverage for risks such as inconvertibility or inability to transfer funds, expropriation and political violence."

In recent years, EDC has broadened its range of FII coverage to include such areas as existing investments, licensing agreements, equipment, service contracts, petroleum exploration and institutional loans.

Companies reaping the benefits of EDC's FII policies run the gamut from small to very large.

"Smaller firms have to be creative, extremely conscious of detail, tenacious and very fast on their feet," says Larocque. "But those that do their homework and manage their risks are having terrific results in Latin America."

Witness one small-sized company, based in Alberta, which discovered a mineral deposit in Argentina. The parent company was not prepared to make available the funds needed to develop this deposit without political risk insurance. With backing in the form of an EDC FII policy, the company built a pilot plant. The operation has proved viable, and plans are under way to expand the project into a world-class facility.

Another small-sized exploration company, based in British Columbia, turned itself into a significant player in the mining industry with the discovery and development of a significant gold deposit in Chile. The company's success was due to its ability to put together an excellent management, technical and financial package, and to overcome many challenges.

EDC contributed to the project's success by supplying an innovative form of political risk insurance to cover a portion of the bank debt.

Larger companies tend to go after bigger deposits that consume more human and financial resources, says Larocque. Major projects for mining copper and gold can involve multiple parties and complicated investment structures that can be worth more than $1 billion.

"Often, several companies will enter into a partnering agreement and invest hundreds of millions of dollars each to develop the deposits," he explains. "Add a lending syndicate, which could be made up of as many as 50 institutions, and a project can get very complex simply by virtue of the number of players involved."

In cases where lending institutions are involved, EDC's new Political Risk Insurance for banks will allow them to stretch their financial and geographic limits for EDC customers.

To marshal the required capacity for large-scale projects, EDC works with other export credit agencies from around the world, as well as with the Multilateral Investment Guarantee Agency (MIGA), an arm of the World Bank, and private-sector insurers.

As part of its analysis, EDC reviews the political risks and commercial viability associated with the project, as well as its benefits to the host country.

"For mining and petroleum operations, environmental sensitivity is high on EDC's list of prerequisites," says Larocque. "Canadian firms in this industry continuously score high points for using the best methods and technology."

Brenda Stewart

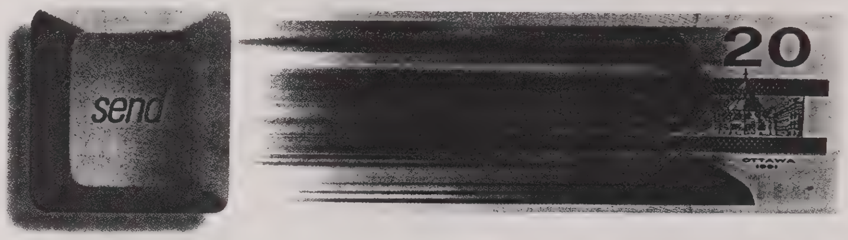
Key benefits

An EDC Foreign Investment Insurance (FII) policy provides:

- long-term commitment, with up to 15 years' coverage against political risks;
- protection against losses, as EDC insures you against losses caused by politically motivated conflict or actions by the host government;
- the ability to attract additional project capital, since political risk insurance from EDC often provides the backing you need to attract other investors and lenders; and
- flexibility, as EDC's FII policy gives you the freedom to structure your project in a way that makes the most business sense.

Looking to stretch your investment dollar?

Now that we've caught your attention, let's talk "globalization of capital markets." While this term may not send your pulses racing, it does denote a fascinating and complex change that has taken place in the international financing community.



Before the early 1980s, almost all lending to the developing world was made to the respective country's government. Transactions involved a limited number of parties, and loans were generally held to maturity.

Today, there is a myriad of investors in emerging markets, such as pension funds, insurance companies and individuals operating through mutual funds. In the face of declining returns in the developed world, these investors are probing the depths of emerging economies for higher yield investments.

Increasingly, evaluating the risks in emerging markets must not only include an assessment of the government's ability to pay but also a focused evaluation of the private sector – both at the industrial and project-specific level.

Private capital flows have become a major player in the finance world. According to the Institute of International Finance, net private flows to the 31 major emerging market economies reached a new high of $US208 billion in 1995. This figure was up 10 percent from the previous peak of private capital flows, in 1993. The 1995 figure is about to be eclipsed in 1996, however, as net private capital flows are expected to top $US225 billion.

Two factors have allowed investors to make more-informed decisions as to the risks of investing in the emerging world: better information regarding the direction of emerging market economic policy, and an increasingly open investment market.

These two factors – together with the explosion of the electronic marketplace, where investment dollars can be sent around the world with a few short computer keystrokes – have created the foundation for the "globalization of capital markets."

With this new dawn comes new danger. As quickly as an emerging market can become an investment hot bed, fortunes can be reversed.

This is particularly true when the borrower is in the private-sector. The increased private-sector borrowing being seen in the developing world adds risk at a rate commensurate with the possible rewards. Lost in this new world are the guarantees of repayment once provided by government guarantees. Investors who have neither the resources nor the inclination to closely monitor this type of lending run the risk of being on the losing end of a quick turn in global investor sentiment.

If a government's resolve toward progressive economic policies wanes or a key sector of the economy falls on hard times, investors can remove their funds with the same speed with which they arrived. This is particularly true of so-called "portfolio investment" in equity and tradable bonds by mutual funds and other large investors.

Portfolio investment has led to another important evolution: developing world governments – who would prefer investment stability – actively promoting foreign direct investment.

The notion here is simple: while it may be easy for an investor to liquidate stocks – thus removing funds from the emerging market quickly – the same is not true of a physical plant investment. Thus, foreign direct investment in plant and equipment more closely allies the goals of the investor to the goals of the emerging economy.

Increasingly, evaluating the risks in emerging markets must not only include an assessment of the government's ability to pay but also a focused evaluation of the private sector – both at the industrial and project-specific level.

Furthermore, there is a growing number of investors looking for the best deal. Whereas in the 1980s the players at the table were mainly governments and a few big banks, now the lending group is far more diverse. Indeed, the lending group may only include private-sector players.

At the end of the day, it still comes down to assessing a borrower's risk – be it sovereign or private-sector – and then developing a framework of products to help mitigate those risks.

Bryan Gormley, Economist

India continues to beckon exporters and foreign investors

With its economic house in order, the Government of India is promoting investment in major infrastructure projects and badly needed urban projects.

Since 1991, India's economic recovery has been on solid ground. Last year, its GDP growth accelerated by seven percent. This year, GDP growth will likely be six percent, driven by a strong response to economic reforms, industrial recovery and strong and sustained agricultural performance, thanks to a series of good monsoons.

The reform-minded economic strategy of former Finance Minister Manmohan Singh remains in place. Initial fears of a potential unleashing of expenditure proved to be unfounded. Singh's replacement, P. Chidambaram, wants to reduce the central government's budgetary deficit to five percent of GDP this year. If this objective is realized, it would constitute the smallest fiscal deficit since the early 1990s.

Chidambaram's recent budget has been viewed as a politically astute balancing act between meeting domestic business interests and meeting election promises for more social and rural expenditures.

However, looking at the overall public sector – including many loss-making public enterprises – the consolidated fiscal deficit will be about nine percent this year.

This deficit is far too high; hence, the burden of safeguarding economic stability falls disproportionately on monetary policy. This inevitably implies high domestic interest rates to contain inflation.

Wholesale prices were about five percent by mid-year, but inflation has been creeping upwards and is projected to be in the area of 9.5 percent by June 1997. If interest rates remain relatively high, lower corporate earnings and more difficult business conditions will ensue.

The trade deficit has widened markedly since India's economic turnaround, increasing from less than US$3 billion in 1991 to more than US$10.5 billion this year. At the same time, India's external current account deficit has grown from roughly US$1 billion to about US$8.5 billion. While this deficit is large by historical norms, it is still relatively small in relation to GDP (2.5 percent).

The increase in external deficits has been matched, however, by buoyant private capital inflows. Moreover, investors have continued to support the country's reform process, pledging about US$7 billion a year in development assistance over the past several years.

Through exceptional financial support from the international community and a marked reversal of capital flight, India's 1991 external liquidity crisis is a story of the past. The country's short-term economic outlook is decidedly good. Foreign exchange reserves are comfortable, and the rupee is convertible. While the external debt is large, at about US$95 billion, it is considered manageable.

Despite India's solid economic progress, a more rapid pace of fiscal adjustment is required – and a second wave of bold reforms is still needed – to attract the necessary external financing and spur more broad-based and equitable economic development within the country. This will be politically difficult yet crucial for sustained growth.

Over the next few years, the Government of India intends to address agricultural issues and promote investment in major infrastructure projects (power, communications, roads and ports) and badly needed urban projects (solid waste, water and sewers). Efforts will be made to streamline India's foreign investment regime while, above all, maintaining an economic environment conducive to foreign direct investment.

Jocelyne Lussier, Economist

EDC's experience and attitude

Short term: Open without restrictions.

Medium/long term: Open, subject to an overall exposure guideline. Line of credit: Export-Import Bank of India (Exim).

Foreign investment insurance: Case-by-case.

Lines of credit and other export financing

EDC has many types of export financing facilities to simplify the purchase of Canadian goods and services by buyers in export markets.

These facilities fall into two broad categories: supplier credit financing and buyer credit financing.

One example of supplier credit financing is a note purchase agreement. Under such an agreement, EDC purchases from an exporter a series of promissory notes issued by a foreign buyer to the exporter upon the sale of goods or services.

Buyer credit financing includes direct loans and lines of credit. Direct loans are a financing arrangement between EDC and a buyer, or a borrower on behalf of a buyer, for a pre-determined transaction. Loans usually involve large transactions with long repayment terms.

Lines of credit are a streamlined form of financing in which EDC lends money to a foreign bank, institution or purchaser, which then onlends the necessary funds to foreign purchasers of Canadian goods and services. Interest rates, repayment terms and other details are prearranged between EDC and the foreign borrower, which speeds up turnaround time. Transactions supported under lines of credit are usually valued at between US$50,000 and US$5 million. EDC currently has 44 lines of credit, providing one form of access to export financing for buyers in some 22 countries.

Listed below are the details and contacts for the lines of credit which exporters have found most useful.

It is important to note that:

- **EDC's financing and insurance services are not limited to those countries in which EDC has established lines of credit.**
- **These lines of credit are not the only way in which EDC will do business in these markets.**
- **If you are thinking about exporting but have never used one of EDC's lines of credit, it is wise to contact EDC as early as possible.**

For more information on how EDC export financing can help you close a deal abroad, contact the regional office nearest you. (Refer to the contact list on the inside back cover.)

CATEGORIES

Overseas Area Code = 011
1) **Borrower**
2) **Signing amount**
3) **Repayment terms**
4) **Buyer's contact with borrower**
5) **Borrower's North American representative**

Lines of credit

MEXICO, CENTRAL & SOUTH AMERICA

Andean Pact

1) **Corporación Andina de Fomento (CAF)***
2) US$70 million
3) 10 years
4) Mr. Fernando Infante, Capital Markets Group
Tel.: 582-209-2283
Fax: 582-209-2329

Dr. Hernán Escudero M. (Bolivia)
Tel.: 591-243-1333
Fax: 591-243-2049

Mr. Pedro Sorencen (Colombia)
Tel.: 571-313-2311
Fax: 571-313-2787

Ing. Carlos Claverie (Ecuador)
Tel.: 593-222-4080
Fax: 593-222-2107

Mr. Ernesto Aranibar Q. (Peru)
Tel.: 511-221-3566
Fax: 511-221-0968

Econ. Cecilia Carrero, Public Sector (Venezuela)
Econ. Blanca Olivo, Private Sector
Tel.: 582-209-2179, 209-2379
Fax: 582-209-2422

* *For Bolivia, Colombia, Ecuador, Peru and Venezuela*

Argentina

1) **Banco de Galicia**
2) US$13.1 million
3) 2, 3, 5 or 7 years
4) Mr. Carlos López, Senior International Officer International Department
Tel.: 541-329-6487/6488
Fax: 541-329-6486

1) **Banco Francés**
2) US$10 million
3) 2, 3, 5 or 7 years
4) Mr. Fernando Sola, Regional Manager North America and Asia Pacific
Tel.: 541-346-4326/346-4000 (ext. 1893)
Fax: 541-346-4337

1) **Banco Roberts**
2) US$5 million
3) 2, 3, 5 or 7 years
4) Mr. José Domenech, Branch Manager
Tel.: 541-331-5246
Fax: 541-334-6404

1) **Bridas S.A.P.I.C.**
2) US$25 million
3) 3 to 8.5 years
4) Mr. Horacio P. Ferraro, Manager Financing Department
Tel.: 541-310-4346
Fax: 541-310-4367

1) **Industrias Metalúrgicas Pescarmona S.A.I.C. (IMPSA)**
2) US$15 million
3) 3 semi-annual installments
4/5) Mr. Claudio Troglia, Director of Purchasing (Pittsburg)
Tel.: 412-344-7003 (ext. 21)
Fax: 412-344-7009

1) **Telecom Argentina Stet-France Telecom S.A.**
2) US$45.2 million
3) 3 to 8.5 years
4) Mr. Mario González, Manager/ Ms. Christel Maulhardt, Analyst Trade Finance Operations
Tel.: 541-968-3612/3614/3068
Fax: 541-312-9472

1) **Telefónica de Argentina S.A.**
2) US$50 million
3) 3 to 8.5 years
4) Mr. Raul Rolandi, Deputy Director, Financial Services
Tel.: 541-325-0190
Fax: 541-325-1920

1) **Total Austral S.A.**
2) US$25 million
3) 2 to 8.5 years
4) Mr. Joseph Castaing, Financial Controller
Tel.: 541-394-8167
Fax: 541-394-9318

1) **YPF, S.A.**
2) US$25 million
3) 2 to 8.5 years
4) Mr. Enrique Waterhouse
Ms. Dora E. Acosta Vásquez
Tel.: 541-329-5685
Fax: 541-329-5685

Argentina, Brazil, Colombia and Uruguay

1) **Bank of Boston**
2) US$25 million
3) 2 to 8 years
4) Mr. Julio Laffaye, Trade Finance Manager International Services (Argentina)
Tel.: 541-346-2112
Fax: 541-346-3209/343-7303

Mr. Carlos Martins (Sao Paulo)
Tel.: 5-511-249-5622
Fax: 5-511-249-6430

Mr. Damián Donnelly (Bogotá)
Tel.: 571-313-3481
Fax: 571-313-3536

Mr. José Baniela (Montevideo)
Tel.: 598-296-0127
Fax: 598-296-2209

5) Mr. Hugo Owen, Vice President (Boston)
Tel.: 617-434-3107
Fax: 617-434-1188

Brazil

1) **Alcoa Aluminium S.A.**
2) US$10 million
3) up to 5 years
4) Mr. Ricardo Sayao/Ms. Jussara Lombardo Hiamasta
Exchange Department/Treasury
Tel.: 5-511-545-8866/8876
Fax: 5-511-545-8300

1) **Banco do Brasil**
2) US$25 million
3) up to 5 years
4) Mr. Joao Inacio de Andrade Lima (Sao Paulo)
Tel.: 5-511-281-9569/9441
Fax: 5-511-281-9029
5) Mr. Juraci Vaz Sampaio
Chief Representative (Toronto)
Tel.: 416-362-2375
Fax: 416-362-3074

1) **Petrobrás**
2) US$15 million
3) up to 5 years
4) Mr. Carlos Alberto Massena Barbosa
Tel.: 5-521-534-1454/1457
Fax: 5-521-534-4278

1) **Unibanco – Uniâo de Bancos Brasileiros**
2) US$15 million
3) 2, 3, 4 or 5 years
4) Ms. Celina Porto, Ms. Silvia Nucci, Manager, International Relations, Ms. Patricia Urbano, Manager, Corresponding Banking
Tel.: 5-511-867-1684/4321/1900
Fax: 5-511-815-4484/814-0528/867-1689

Central America

1) **Central American Bank for Economic Integration (CABEI)***
2) US$20 million
3) 5 years
4) Lic. Rolando Arauz Turcias
(Tegucigalpa, Honduras, Headquarters)
Tel.: 504-37-3980
Fax: 504-37-3980

Lic. Ronald Martínez Saborío (Costa Rica)
Tel.: 506-253-9394
Fax: 506-253-2161

Ing. Francisco José Ramírez Cuadra
(El Salvador)
Tel.: 503-224-0144/224-0622
Fax: 503-224-1621

CABEI has suspended new public-sector loans to the Government of Nicaragua. Call International Markets for details.

Ing. Roger Arteaga Cano (Nicaragua)
Tel.: 505-266-4120 to 4123
505-266-7088 to 7092
Fax: 505-266-4143

Lic. Jorge Marco Diaz del Rosal (Guatemala)
Tel.: 502-334-1744/332-2722/331-1260
Fax: 502-331-1457

* *For Honduras, Costa Rica, El Salvador, Guatemala and Nicaragua*

Colombia

1) **Banco Cafetero**
2) US$10 million
3) 3 to 8 years
4) Mr. Carlos Gaona Cruz, Head
Special Lines Department
Tel.: 571-284-6603
Fax: 571-286-8893

EDC is prepared to provide its full range of financing programs to the following institutions in Colombia as specific transactions arise. Please call EDC for information on the appropriate contacts at the respective institutions:

BANKS
For large/small transactions: **Banco de Bogotá, Banco de Colombia, Banco Ganadero** and **Instituto de Fomento Industrial**
For smaller transactions: **Banco Comercial Antioqueño, Banco del Estado, Banco de Occidente, Banco Industrial Colombiano** and **Banco Unión Colombiano**

FINANCIAL CORPORATIONS
Corfinsura and **Corfivalle**

OIL AND GAS
Ecopetrol

Mexico

1) **Banca Serfin, S.A.**
2) US$20 million
3) 5 years
4) Mr. José Carrassó Arnaiz, Vice President
International Division
Tel.: 525-512-1009
Fax: 525-625-5613
5) Mrs. Paloma Healey
Tel.: 416-360-8900
Fax: 416-360-1760

1) **Bancomer, S.A.**
2) US$75 million
3) 5 years
4) Ms. Cecilia Sáenz y Sáenz, Vice-President
Import Financing
Tel.: 525-621-3861/1175
Fax: 525-621-4758

1) **Banco Nacional de Comercio Exterior, S.N.C. (Bancomext)**
2) US$90 million
3) 5 to 8 years
4) Mr. Eugenio McGregor
Deputy Vice-President, International Banking
Tel.: 525-327-6051
Fax: 525-327-6076/6077
5) Mr. Marco Espinosa
Trade Commissioner of Mexico (Toronto)
Tel.: 416-867-9292
Fax: 416-867-1847

1) **Banco Nacional de México, S.A. (Banamex)**
2) US$125 million
3) 5 to 8 years
4) Mr. Gerardo Santos, Comercio Exterior
Tel.: 525-225-6690
Fax: 525-225-6625
5) Mr. Helmut Damm, Representative (Toronto)
Tel.: 416-368-1399
Fax: 416-367-2543

1) **Banco Nacional de Obras y Servicios Públicos, S.N.C. (Banobras)**
2) US$20 million
3) 5 to 8 years
4) Lic. Carlos Sotomayor Bustos
Assistant Director of Finance
Tel.: 525-723-6020/6014
Fax: 525-723-6291

1) **Comisión Federal de Electricidad (CFE)**
2) US$30 million
3) 5 to 8 years
4) Mr. Ranulfo Matus López
Credit Operations Department
Tel.: 525-286-6859
Fax: 525-286-1456

1) **Nacional Financiera, S.N.C. (Nafin)**
2) US$28 million
3) 5 to 8 years
4) Mr. Jorge Muñoz Cuevas, Manager
Bilateral Financing
Tel.: 525-325-7022/7023
Fax: 525-661-9542

1) **Petróleos Mexicanos (Pemex)**
2) US$14.6 million
3) 5 to 8 years
4) Lic. Guillermo Christy Vera
Associate Managing Director of Finance
Tel.: 525-250-6478
Fax: 525-254-1896

1) **Teléfonos de México, S.A. de C.V. (Telmex)**
2) US$35 million
3) 3 to 7 years
4) Mr. Gustavo León Méndez, Treasury
Tel.: 525-222-1153/1154
Fax: 525-203-5972

Lines of Credit

Peru

1) **Banco Wiese Ltdo.**
2) US$15 million
3) 2 to 5 years
4) Mr. Manuel Custodio Poemape/
Mr. Javier Román Vidal
Financing Intermediation Division
Tel.: 511-428-0505/426-6231
Fax: 511-426-9448/9414

Venezuela

1) **BARIVEN, S.A./Petróleos de Venezuela, S.A. (PDVSA)**
2) US$50 million
3) 2 to 8.5 years
4) Mr. Richard Maduro, Finance Manager
BARIVEN, S.A. – Caracas
Tel.: 582-201-4761
Fax: 582-201-4605
5) Mr. Robert S. LaGrange, Assistant Treasurer
PDVSA Services, Inc. – Houston, Texas
Tel.: 713-588-6430
Fax: 713-588-6992

AFRICA, MIDDLE EAST & EUROPE

Africa

Algeria

1) **Banque Algérienne de Développement**
2) US$100 million
3) 3 or 5 years
4) Mr. Sadek Alilat, Director
Tel.: 213-2-738-950
Fax: 213-2-748-025

1) **Sonatrach**
2) US$70 million
3) 3 or 5 years
4) Mr. Ahmed Mostefaoui, Director
Tel.: 213-2-607-000
Fax: 213-2-605-322

Ghana

1) **Ministry of Finance and Economic Planning**
2) US$20 million
3) up to 10 years
4) Mr. Emmanuel Darko, Director,
International Economic Relations Division
Tel.: 233-21-665-920
Fax: 233-21-667-069
5) High Commission of Ghana to Canada in Ottawa
High Commisioner Annan A. Cato
Tel.: 613-236-0871
Fax: 613-236-0874

South Africa

1) **ABSA Bank Limited**
2) US$10 million
3) 3 to 8.5 years
4) Mr. Sampie D. Kotzé, Head
International Structured Term Finance
Tel.: 011-330-3111
Fax: 011-330-3064

1) **First National Bank of Southern Africa Limited**
2) US$25 million
3) 3 to 8.5 years
4) Mr. Steve Smith, Manager, Export Credits
Tel.: 011-371-6665
Fax: 011-371-7255

1) **Impofin (Pty) Limited**
2) US$15 million
3) up to 8.5 years
4) Mr. Leon Potgieter, Deputy General Manager
Industrial Development Corporation of South Africa Ltd.
Tel.: 011-269-3000
Fax: 011-269-3121

1) **Nedcor Bank Ltd.**
2) US$10 million
3) 3 to 8.5 years
4) Mr. Chris Louw, Manager
International Finance Unit
Tel.: 011-630-7973
Fax: 011-630-7879

1) **The Standard Bank of South Africa Limited**
2) US$10 million
3) 3 to 8.5 years
4) Mr. Gerald Nolan, Senior Manager
International Finance
Tel.: 011-636-5062
Fax: 011-636-3181

Tunisia

1) **Ministry of International Cooperation and Foreign Investment**
2) US equivalent of Cdn$100 million
3) up to 10 years
4) Mr. Abdelhamid Bouhawala
Tel.: 216-1-798-522
Fax: 216-1-799-069

Europe

Slovak Republic

1) **Vseobecno Uverova Banka, A.S. (VUB)**
2) US$10 million
3) 2, 3, 4 or 5 years
4) Mr. Jozef Galis, Director
International Banking Department
Tel.: 42-7-531-7283
Fax: 42-7-531-7020

ASIA & PACIFIC

China, People's Republic of

1) **Bank of China**
2) US$200 million or its equivalent in Cdn. or other acceptable foreign currencies
3) up to 10 years
4) Mr. Xu Gang, Deputy General Manager
Credit Business Department
Tel.: 86-10-6834-3312
Fax: 86-10-6834-2272
Telex: 22254/22289 BCHO CN

1) **Bank of Communications**
2) US$25 million
3) up to 10 years
4) Mr. Shi Fu Ling, Deputy General Manager
Forex Credit Department
Tel.: 86-216-275-1234/7255
Fax: 86-216-275-6224

1) **China Construction Bank**
(previously People's Construction Bank of China)
2) US$100 million
3) up to 10 years
4) Ms. Song Xieli, Project Manager
International Department
Tel.: 86-106-851-5276
Fax: 86-106-851-5285

India

1) **Export-Import Bank of India (Exim)**
2) US$10 million
3) up to 8.5 years
4) Mr. David Rasquinha, Manager
Export-Import Bank of India (Mumbai)
Tel.: 91-22-218-5272 (ext. 2404)
Fax: 91-22-218-8076
5) Mr. Anup K. Hiranandani
Resident Representative
(Washington, D.C.)
Tel.: 202-223-3238/3239
Fax: 202-785-8487

Indonesia

1) **Bank Umum Nasional (BUN)**
2) US$10 million
3) up to 7 years
4) Mr. Kalimuda Sinaga, Assistant Vice President
Correspondent Banking Services, Bunas Center
Tel.: 62-21-231-2828
Fax: 62-21-231-2929

WESTERN REGION

Glen Hammond, Regional Vice-President

VANCOUVER OFFICE
Suite 1030
505 Burrard Street
Vancouver, B.C.
V7X 1M5
Tel.: (604) 666-6234
Fax: (604) 666-7550
RAY JOHNSON
Business Development Manager

CALGARY OFFICE
Suite 1030
510-5th Street S.W.
Calgary, Alberta
T2P 3S2
Tel.: (403) 292-6898
Fax: (403) 292-6902
BRUCE STANTON
Business Development Manager

WINNIPEG OFFICE
Suite 2075
360 Main Street
Commodity Exchange Tower
Winnipeg, Manitoba
R3C 3Z3
Tel.: (204) 983-5114
Fax: (204) 984-0163
DOUG GYLES
Business Development Manager

ONTARIO REGION

Ruth Fothergill, Regional Vice-President

TORONTO OFFICE
Suite 810
150 York Street
P.O. Box 810
Toronto, Ontario
M5H 3S5
Tel.: (416) 973-6211
Fax: (416) 862-1267
DAVID LITTLE
Business Development Manager

LONDON OFFICE
Suite 1512
148 Fullarton Street
London, Ontario
N6A 5P3
Tel.: (519) 645-5828
Fax: (519) 645-5580
JAN DVORAK
Business Development Manager

QUEBEC & ATLANTIC REGION

Toby Price, Regional Vice-President

MONTREAL OFFICE
Suite 4520
800 Victoria Square
P.O. Box 124
Tour de la Bourse
Montreal, Quebec
H4Z 1C3
Tel.: (514) 283-3013
Fax: (514) 878-9891
HUBERT CHÉNIER
Business Development Manager

HALIFAX OFFICE
Purdy's Wharf Tower II
Suite 1410
1969 Upper Water Street
Halifax, Nova Scotia
B3J 3R7
Tel.: (902) 429-0426
Fax: (902) 423-0881
GRAHAM COADE
Business Development Manager

To call any one of EDC's regional offices toll-free: 1-888-332-3320

BUSINESS TEAMS

BASE AND SEMI-MANUFACTURED GOODS TEAM
Kevin Harris
Team Leader
To contact a team member:
Tel.: (613) 598-2823
Fax: (613) 598-2525

CONSUMER GOODS TEAM
Jean Beaulieu
Team Leader
To contact a team member:
Tel.: (613) 597-8501
Fax: (613) 598-2525

EMERGING EXPORTERS TEAM*
John Hutchison
Team Leader
To contact a team member:
Tel.: 1-800-850-9626
Fax: (613) 598-6871

FINANCIAL INSTITUTIONS TEAM
Leslie Goodfellow
Team Leader
To contact a team member:
Tel.: (613) 598-6639
Fax: (613) 598-3055

FORESTRY TEAM
Catherine Hess
Team Leader
To contact a team member:
Tel.: (613) 598-2936
Fax: (613) 598-2525

ENGINEERING AND PROFESSIONAL SERVICES TEAM
Sherry Noble
Team Leader
To contact a team member:
Tel.: (613) 598-3162
Fax: (613) 598-3167

INDUSTRIAL EQUIPMENT TEAM
Stephen Dempsey
Team Leader
To contact a team member:
Tel.: (613) 598-3163
Fax: (613) 597-8503

INFORMATION TECHNOLOGIES TEAM
Peter Foran
Team Leader
To contact a team member:
Tel.: (613) 598-6891
Fax: (613) 598-6858

TRANSPORTATION TEAM
Henri Souquières
Team Leader
To contact a team member:
Tel.: (613) 598-3164
Fax: (613) 598-2504

** If you are new to exporting and/or have annual export sales of up to $1 million, contact EDC's Emerging Exporters Team for specialized, streamlined service. If you are an experienced exporter with larger, more complex requirements, contact the appropriate business development manager at the EDC regional office nearest you.*

OTHER ORGANIZATIONS THAT HELP EXPORTERS

Department of Foreign Affairs and International Trade
International market intelligence
InfoCentre 1-800-267-8376

Business Development Bank of Canada
Specialized financing for small- and medium-sized business
1-888-463-6232

Canadian Commercial Corporation
Export contract advice and assistance
1-800-748-8191

Alliance of Manufacturers and Exporters Canada
Canada's leading business network
(613) 238-8888
(416) 798-8000

Head Office — 151 O'Connor Street, Ottawa, Canada K1A 1K3
Tel.: (613) 598-2500 Telex: 053-4136 Fax: (613) 237-2690
Internet: http://www.edc.ca

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